

**EDUCATION FOR ALL (EFA) – FAST TRACK INITIATIVE
PROGRESS REPORT**

DEVELOPMENT COMMITTEE
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EDUCATION SECTOR
HUMAN DEVELOPMENT NETWORK
WORLD BANK

THE EFA-FAST TRACK INITIATIVE PROGRESS REPORT
PREPARED BY WORLD BANK STAFF

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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AfDB	African Development Bank
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CFA	Communauté Financière Africaine
DAC	Development Assistance Committee
DFID	Department for International Development (United Kingdom)
EC	European Commission
EFA-FTI	Education For All Fast Track Initiative
EU	European Union
GER	Gross Enrolment Rate
GDP	Gross Domestic Product
GNP	Gross National Product
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IDB	Inter-American Development Bank
IDA	International Development Assistance
IMF	International Monetary Fund
MCA	Millennium Challenge Account
MDBs	Multilateral Development Banks
MDG	Millennium Development Goal
MTEF	Medium-Term Expenditure Framework
NER	Net Enrolment Rate
ODA	Overseas Development Assistance
OECD	Organization for Economic Co-operation and Development
PCR	Primary Completion Rate
PER	Public Expenditure Review
PISA	Programme for International Student Assessment
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
SPA	Strategic Partnership With Africa
SWAp	Sector-Wide Approach
UIS	UNESCO Institute For Statistics
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UNICEF	United Nations Children's Fund
UPC	Universal Primary Completion

Executive Summary

1. Launched in June 2002, the Education For All-Fast Track Initiative (FTI) is a performance-based program focusing on the implementation of sustainable policies in support of universal primary completion (UPC) and the required resource mobilization. During its twenty months of implementation, FTI has delivered on results, which give reason for optimism that it is indeed possible to accelerate progress on EFA as long as the right conditions remain in place. At its meeting in Dubai in September 2003, the Development Committee requested a report on FTI funding and lessons learned from implementation. This document responds to that request.
2. Underlying the implementation of FTI is a recognition of the multiple benefits of education. Education is one of the most powerful instruments to reduce poverty and inequality and to lay the basis for sustained economic growth. Education also provides people with what Nobel Laureate Amartya Sen (1999)¹ calls “human capabilities” – the power to reflect, make choices, and enjoy a better life. Education has powerful synergistic effects on other development objectives: empowerment, better health, and good governance. The attainment of EFA, however, goes beyond access to education. Education quality is the critical ingredient in boosting economic growth. In addition, the achievement of UPC is regarded not as an end, but as a first critical step towards lifelong learning which embraces secondary education and beyond. One of the key FTI objectives, then, is to help countries develop sound, inclusive strategies to accelerate progress towards good quality education.
3. Significant progress has been made under the FTI in several areas. The establishment of a global framework, grounded at the country level and embedded in the PRSP, has provided a platform for discussing and resolving education-related policy, institutional and financing issues as countries scale up for results. This platform has enabled the FTI partners to begin to address the disconnects between aid and performance through the Catalytic Fund, to share lessons of experience, maintain the political momentum for EFA, and to mobilize additional resources. FTI has also helped countries and their partners to focus more sharply on outcomes (UPC) and to strengthen the linkages between inputs, outputs, public actions and results. Of particular value has been the establishment of an empirical basis for tracking, monitoring and comparing progress on key FTI objectives across countries, in particular, policy change, progress towards EFA, quality and quantity of aid and donor harmonization. During the past year, significant progress has been made on donor coordination and donor practices, in particular, a shift towards budget support. Linkages and synergies between development partners have also been strengthened under FTI: at the country level between the local aid community and the government and at the international level a greater alignment has been established between FTI and the overall EFA program, which is led by UNESCO.

¹ Sen, Amartya, 1999. *Development as Freedom*. Alfred Knopf, New York.

4. The implementation of FTI has also put a spotlight on the challenges associated with scaling up the MDG agenda more generally. The most critical is that faster progress can only be sustained if the basic contract on which FTI is premised—that countries will obtain additional support if they implement good policies and governance—is respected by both sides. While the actual modalities of delivering on this commitment will vary from country to country, the need to demonstrate additionally by both sides is fundamental to the success of FTI.

5. The biggest FTI challenge relates to financing. Current levels of funding are too low, and not sufficiently predictable to enable countries to make the medium-range plans required to sustain the momentum and to train and recruit teachers. It is estimated that in addition to increasing levels of domestic resource allocation to education, external support for primary education in low-income countries would need to increase from an average of just over \$1 billion to about \$3.7 billion a year in order to ensure adequate funding for UPC. The experience with the first ten FTI countries indicates that the prospects of attaining this target are dim unless there is a significant improvement in the international response. Increasing the magnitude of the challenge, in several FTI countries, the disbursement of available resources remains very slow, reflecting a complex interplay of country capacity, constraints due to donor practices, and rigidity in the rules governing the utilization of funds.

6. Going forward, FTI will build on the strong global framework to strengthen the returns to education investments through the broader EFA effort as well as through the education sector more generally. In addition to raising levels of financial support, this will entail strengthening education quality, service delivery and implementation capacity. Action will be required by the countries to strengthen and stay the course on policies and governance and by the FTI partnership to improve the overall quantity and quality of their support. While some FTI partners have been quick to respond, others will need to make fundamental changes in the way they do business, in particular to increase financing levels, to make financing more flexible and predictable, and to finance an increased level of recurrent costs.

7. Several instruments for ensuring predictability and sustainability are currently under discussion. Options include approaches to enhance the flexibility of IDA, strengthen the focus on debt sustainability, and increase the concessionality of financial support. As a wider selection of financing instruments tailored to country-specific needs becomes available, it is also important that the ability to monitor donor support keep pace. FTI has initiated support for development of capacity to systematically monitor budget support and its impact on the education sector. There is a continuing need to improve data quality and availability, and to better monitor the composition of education aid, and the effectiveness of various instruments.

8. Based on this report, the following issues are proposed for Ministerial consideration at the Development Committee meeting:

- Do Ministers agree that the continued implementation and expansion of FTI is an important mechanism for helping countries achieve the MDG goal of universal primary education by 2015?
- Do Ministers agree with the need to provide increased financing through multilateral and bilateral channels and to also make financing more flexible and predictable?
- What adjustments in donor arrangements and recipient effectiveness do Ministers consider necessary to accelerate implementation? Do Ministers agree with the proposed donor indicative framework for FTI as a pilot to track progress on implementing the Monterrey consensus?
- Do Ministers agree that interim financing targets should be set for the next three years in order to increase accountability and commitment for improving results?

THE EFA-FAST TRACK INITIATIVE PROGRESS REPORT

I. INTRODUCTION

1. The Development Committee, at its meeting in Dubai in September 2003, requested a progress report on the Education for All-Fast Track Initiative (FTI) funding and lessons learned from implementation. This document responds to that request and builds on previous reports submitted to the Development Committee.¹

2. During its twenty months of implementation, FTI has delivered results which give reason for optimism that it is indeed possible to accelerate progress on EFA as long as the right conditions remain in place. Experience with the implementation of FTI has also put a spotlight on the challenges associated with scaling up the MDG agenda more generally. The most critical is that faster progress can only be sustained if the basic contract on which FTI is premised—that countries would obtain additional support if they implemented good policies and governance—is respected by both sides. While the actual modalities of delivering on this commitment will vary from country to country depending on the circumstances, the need to demonstrate additionality by both sides is fundamental to the success of FTI.

3. FTI has evolved from an attempt to generate resources at the global level to an agreement that the bulk of the resources would be mobilized at the country level and that in most cases additional funding would be channeled through existing mechanisms. FTI has also become increasingly incorporated into the broader EFA framework—acting as a leading edge to EFA and providing a systematic structure for escalating and addressing issues.

4. FTI is an international partnership² launched in June 2002. It is one of the first programs seeking to implement the “Monterrey Consensus”, the commitment made at the International Conference on Financing for Development held in Monterrey, Mexico, in March 2002, that rich countries would provide increased aid and trading opportunities to developing countries which implement sound policies and good governance.

¹ Education for Dynamic Economies: Accelerating Progress Towards Education for All (EFA), DC2001-0025, September 18, 2001; Education for Dynamic Economies: Action Plan to Accelerate Progress Towards Education for All, DC2002-0005/Rev1, April 9, 2002; Development Effectiveness and Scaling Up: Lessons and Challenges from Case Studies, DC2002-0018, September 18, 2002; Progress Report and Critical Next Steps in Scaling Up: Education for All, Health, HIV/AIDS, Water and Sanitation, DC2003-0004/Add.1, April 3, 2003.

² The following donors currently support the FTI, with wide variations in the depth of engagement: Australia, Austria, Belgium, Canada, Denmark, EU, Finland, France, Germany, Greece, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Russia, Spain, Sweden, Switzerland, United Kingdom, United States, ADB, AfDB, DAC-OECD, IADB, UNAIDS, UNDP, UNESCO, UNICEF, and World Bank.

5. At the time of FTI launch, 18 countries³ representing about 17 percent of the out-of-school-population, were eligible for FTI support on the basis of a completed PRSP and a credible education sector plan. Another five countries with large out-of-school populations⁴ were to be offered technical support to prepare plans for achieving universal primary completion (UPC). By January 2004, 12 of the original 18 countries had been formally endorsed for incremental financial support through the FTI process: Burkina Faso, The Gambia, Ghana, Guinea, Guyana, Honduras, Mauritania, Nicaragua, Mozambique, Niger, Vietnam and Yemen.

6. FTI support has focused on two broad areas of intervention: the implementation of sustainable policies by countries to ensure faster progress towards UPC, and the mobilization of additional financial resources, both domestic and external, in support of UPC.

II. FTI PROGRESS AND POLICY IMPACT

A. Policy Framework

7. The establishment of a global framework, grounded at the country level, for highlighting and resolving issues as countries move towards UPC may well be FTI's clearest contribution to date. The Oslo meeting⁵ helped to put FTI on a more sustainable footing by clarifying expectations, roles and responsibilities and by building on five latent strengths of the FTI process: (i) the potential to mobilize additional external financing, (ii) coordinated support in capacity-building in key areas: institutional policy, management and financial, (iii) agreement among development partners to ease transaction costs, (iv) support for collecting better data on a range of development indicators with a focus on results, and (v) the possibility of important start-up support, if needed, through the Catalytic Fund (paragraph 24). This reflects an important step forward to provide a forum where "disconnects" between aid and performance can be escalated for solution. Annex 1 provides a schematic overview of the FTI process, including key decision points and triggers for development partner support.

8. FTI is a performance-based initiative that has helped to organize and focus the policy dialogue in countries around a set of clear benchmarks (Box 1) – the "indicative framework". With the caveat that varied country circumstances require flexibility, the benchmarks provide a transparent and systematic way of tracking countries' fiscal commitment to UPC, its long-term sustainability and key outcomes such as primary school completion and gender equity in school access and attainment. The indicative framework provides some assurance to development partners that their funds will be used efficiently – and thus aids in mobilizing support for EFA. The indicative framework is also proving helpful in making the case to ministries of Finance that primary education

³ The 18 countries were Albania, Bolivia, Burkina Faso, Ethiopia, Ghana, Guinea, Guyana, Honduras, Mauritania, Mozambique, Nicaragua, Niger, Tanzania, The Gambia, Uganda, Vietnam, Yemen, and Zambia.

⁴ Bangladesh, Democratic Republic of Congo, India, Nigeria and Pakistan.

⁵ FTI partnership meeting, Oslo, November 20-22, 2003.

expenditures can be increased in a sustainable way. On the whole, the framework has received quite broad acceptance by both developing countries and development partners as a tool for stronger accountability for performance. This has also created an incentive for countries to address weaknesses in their own policy framework. Annex 2 illustrates how the indicative framework was applied in Mozambique. Going forward and on the basis of lessons of experience from FTI, a benchmark on education quality will be added to the indicative framework.

Box 1. Policy Benchmarks for UPC by 2015

Service Delivery	
Avg. annual teacher salary	3.5x per capita GDP
Pupil-teacher ratio	40:1
Non-salary spending	33% of recurrent education spending
Average repetition rate	10% or lower
Annual hours of instruction	850 – 1000 hours
Student Flow	
Girls' and boys' Grade 1 intake rate	Trend rate to 100% by 2010
Girls' and boys' primary completion rate	Trend rate to 100% by 2015
System Expansion	
Construction cost per classroom (furnished & equipped, incl. sanitation facilities)	\$10,000 or less
System Financing	
Government revenues	% of GDP 14 percent - 18 percent (depending on p/c GDP)
Education spending	20% (as share of Government revenues)
Primary education spending	50% (as share of total education recurrent spending)
* <i>Benchmarks to be applied flexibly on the basis of country circumstances and trend rates towards sustainability by 2015</i>	

9. **FTI expansion.** The FTI has led to the strengthening of linkages and synergies among agencies in several ways. At Oslo, it was agreed that, in keeping with the need to scale up for results, the number of participating countries should be allowed to expand, including all low-income countries with a full PRSP and an agreed education sector plan. The Strategic Partnership with Africa (SPA), with objectives and overall structure similar to the FTI, provides a possible model for the future direction of an expanded FTI.

10. The FTI expansion means that the number of FTI countries potentially eligible for additional support will double, increasing from 18 to about 40 (Annex 3). The number of out-of-school children represented will roughly triple to about 40 million. Following agreements reached in Oslo, most additional support to these countries would be delivered at the country level, in most cases using existing mechanisms. The coordinated donor response described in Box 2 for India represents an instructive model of the way forward.

11. **Focus on a results-driven strategy.** The FTI has helped countries and their partners focus on the more important issue of primary school completion rather than enrolment. In Mozambique, Yemen and Honduras, FTI-supported consultations around the country's planning processes have brought a wide range of stakeholders into the dialogue— including teacher unions, business professionals, parents, political groups, and universities, with clear leadership on the part of Ministries of Education and close links with Ministries of Finance. In these and other FTI countries, a more integrated vision and strategy have resulted.

12. **Stronger donor coordination and partnerships.** FTI countries are increasingly using SWApS to address the need for flexibility. This is consistent with a Bank-wide pattern, where at least 25 SWApS have been prepared in the education sector over the last three years. While a range of funding modalities can be used in support of SWApS, the overall effect is to increase sector financing in a way that helps to maintain focus on education policies and institutions in the longer term, while building capacity. In some cases, basket-funding arrangements within SWApS have increased the flexibility of donor disbursements, although many donors do not yet provide large-scale recurrent cost support in this context. SWApS provide an opportunity for donors to generalize recourse to instruments that "stretch" the commitment horizon, albeit conditionally, such as DfID's recent 10-year partnerships, the US Millennium Challenge Account and the World Bank's Adaptable Program Loans.

13. Building on the SWAp model, improved coordination among development partners is occurring both at the international level and at the country level where development partners have come together to review and implement education sector plans (Box 2). FTI has strengthened SWAp success in shared donor approaches to the sector: joint supervision of performance, pooled funding in support of sector priorities, and common reporting and monitoring frameworks. In Nicaragua, Vietnam, and Honduras, for example, development partners are participating regularly in coordination meetings with the Government on a common work program for the education sector. Memoranda of Understanding (MoU) have been developed in Honduras, and are being prepared in Niger, Yemen and Nicaragua. The "silent partnership" concept, whereby development partners work through other partners to provide support for programs in countries where they have no presence, is also being encouraged through the FTI.

14. Significant progress has been made under the FTI in strengthening linkages and synergies between development partners. At the country level, the focus of the FTI activity at the country level is helping to forge linkages between the national authorities and the local aid community. At the international level, FTI has operated as an informal consultative mechanism of the FTI partnership, governed by rotating bilateral co-chairs: FTI meetings are chaired by the country chairing the G-8 and co-chaired by a non G-8 donor agency. In 2002, the Canadians co-chaired with the Dutch; in 2003, the French and the Norwegians were the co-chairs and in 2004 the United States is co-chairing with the Norwegians. Progress has also been made in aligning FTI with the overall EFA program which is led by UNESCO: in order to ensure synergies and reduce transaction costs, it was agreed in Oslo that the FTI partners' group will meet at least once a year and

that the meeting would be held back-to-back with the annual UNESCO High Level Group meeting on EFA. Partner countries and representatives of civil society would participate in this meeting. In addition, UNESCO is a member of the FTI steering committee and also a co-convenor of the FTI meetings together with the World Bank.

15. **Good policies do make a difference.** The Global Monitoring Report⁶ underscores the urgency of speeding up the implementation of the Monterrey partnership— matching stronger reform efforts by developing countries with stronger support from developed countries and international agencies. Progress made by the FTI countries over the past decade highlights the link between policy and progress towards UPC. Strong political commitment to education as a moving force for development predominates in many successful reforms. When all principal political actors in the sector embrace the strengthening of education as a strategy for development, remarkable progress towards EFA can be made, even in the poorest countries. Strong and sustained political commitment and leadership manifests itself in strategic sectoral policy, adequate allocation of resources to the sector, and a willingness to implement difficult or contentious policies. For the first ten FTI countries, gross enrolment rates increased by an average of 33 percentage points between 1990 and 2000 (Figure 1) compared to an average for all developing countries of 2 percentage points. Primary completion rates increased an average of 12 percentage points, compared to an average increase for all developing countries over the period of 5 percentage points; four FTI countries (Gambia, Guinea, Mozambique, and Nicaragua) are progressing even faster on primary completion than on gross enrolment. These gains are not attributable to FTI per se but demonstrate that the FTI countries, selected in part because they have good policies, have been reaping the reward of those policies. This remarkable progress notwithstanding, these countries have a long way to go to achieve UPC for which they will need significant incremental financing.

⁶ Global Monitoring Report 2004. Policies and Actions for Achieving the MDGs and Related Outcomes. Development Committee Report, Spring 2004.

Box 2. India National Program for Universal Elementary Education

The Fastest Track is the In-Country Track

India has made remarkable progress in poverty alleviation and education. The incidence of poverty declined from 45 percent in the 1980s to 36 percent in the 1990s and to 26 percent in the early 2000s. Between 1992/93 and 1998/99, net enrollment of 6-to-10-year-olds increased from 68 to 82 percent. Much of this expansion was attributable to improved access, especially for girls and rural children. The number of out-of-school 6-to-14-year-olds declined from 39 million in 1999 to 25 million in 2003. In spite of these remarkable achievements, about 13 percent of the 6-to-14-year-old age group are still out of school.

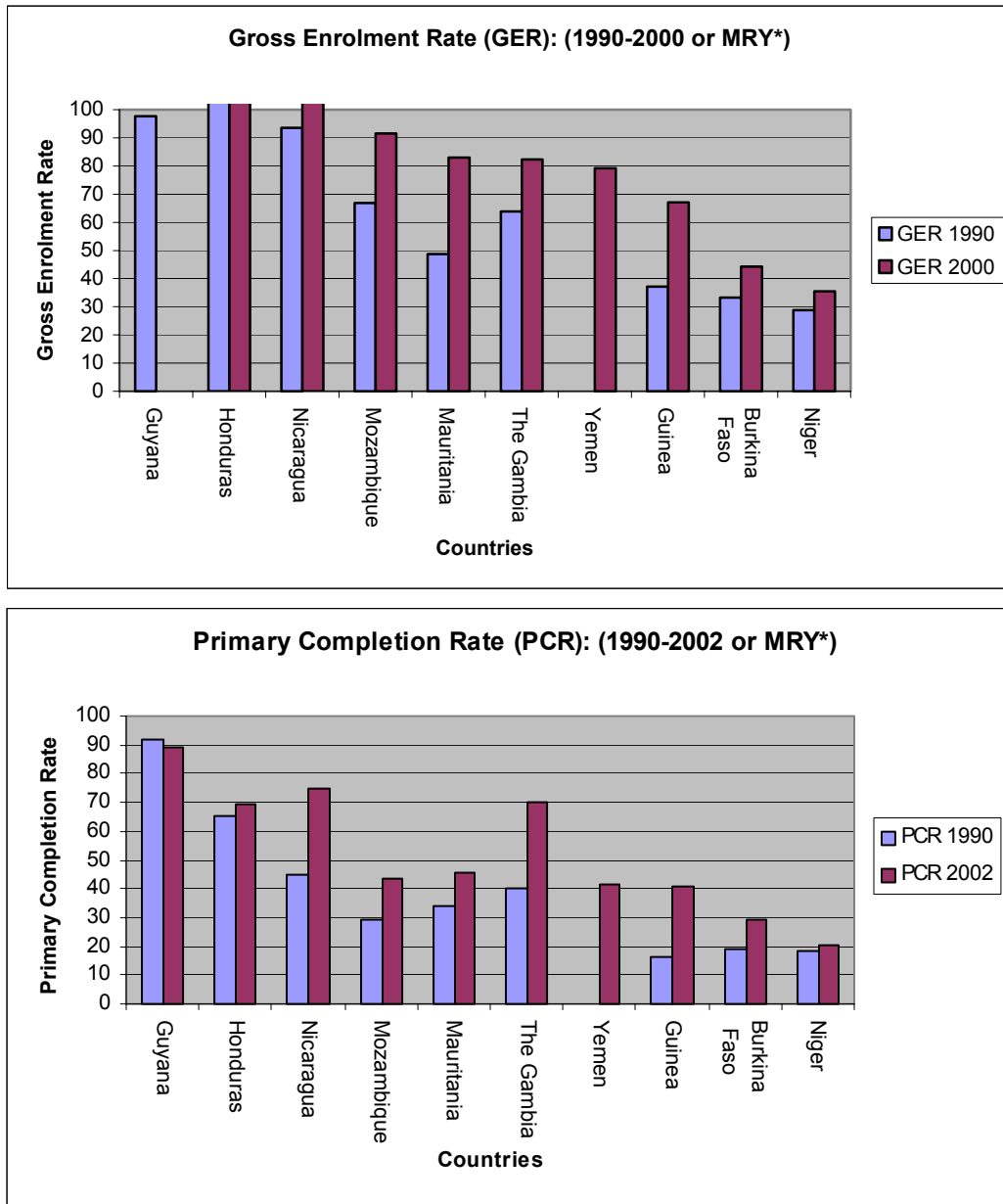
The Government of India (GOI) is deeply committed to universalizing access to and completion of elementary education of satisfactory quality by 2010. To provide a comprehensive policy and budgetary framework for achieving these goals, GOI launched the *Sarva Shiksha Abhiyan* (SSA), the National Program for Universal Elementary Education (UEE) in 2001, which covers elementary education of children in the age group 6-14 years. To strengthen the legal framework, it introduced the 86th Constitutional Amendment (2002) to make elementary education a fundamental right of every child. The goal of the Program is consistent with the Millennium Development Goal (MDG) for education and goes beyond it, covering 8 years of elementary education in a tighter timeframe. In the past two years (2001-2003), GOI spent \$450 million of its own resources to finance the Program.

The World Bank, DfID and EC were invited by the GOI to provide assistance. The indicative program cost for 2003/04 to 2007/08 totals \$3.5 billion, of which GOI finances \$1.579 billion (45%), the Local Governments \$875 million (25%), IDA \$500 million (14.3%), DfID \$346 million (10%), EC \$200 million (5.7%). The speed at which all partners have responded is noteworthy—from project concept to completion of negotiations in nine months.

The development partners pool funds to support the Program through a Sector-wide approach (SWAp). They rely on GOI's own rules and procedures in procurement and financial management to implement the Program while working towards improving institutional capacity in the course of the Program. The GOI and development partners will use a common reporting format for expenditures. GOI will separately provide audited accounts. GOI will provide information on implementation progress and impact of SSA activities, based on India's own information systems at different levels of government in the course of joint review missions twice a year involving the development partners and GOI. The SWAp is chosen because it would honor GOI ownership, facilitate partners' harmonization, strengthen sectoral management capacity, and reduce the transaction costs, compared with a traditional investment project.

Source: World Bank, 2004.

Figure 1. Enrolment Trends—First 10 FTI Countries



*Most Recent Year.

Note: For purposes of comparability, Mozambique figures reflect Grade 5 completion (primary cycle changed from 5 to 7 years in 2000).

Source: World Bank, February 2004.

16. **Progress towards the gender goal.** The annual EFA Global Monitoring Report for 2003-04⁷ shows a consistent narrowing of the gender gap, although the rate of progress has fallen somewhat in recent years. The gender parity index (GPI) for primary education worldwide in 1991, for instance, was 0.89. By 2000, it had increased to 0.93. Most of this gain was in developing countries, where the GPI for primary education increased from 0.87 in 1991 to 0.92 in 2000. At the secondary level, the trends have been even more positive, although data reflect only those who get into secondary school which is a small part of the total eligible population and is skewed towards upper income quintiles. Overall, about 14 million more girls than boys were out of primary school in 2000. The goal of gender parity by 2005 for primary and secondary education will clearly not be met. The rate at which the gender gap is closing will need to be accelerated if gender equality is to be achieved by 2015, and attention will need to be focused not only on access but on retention and quality. The issue is particularly acute for girls who are part of otherwise marginalized populations, such as those who live in rural areas, or who are poor. A national survey in Bangladesh, for instance, shows that parents and schools spend less money on girls than on boys, meaning that girls are less likely to have the textbooks and other inputs central to learning. The FTI framework provides for gender-disaggregated analysis and includes gender-specific monitoring indicators. Experience of some poor countries which have made great strides in closing the gender gap gives reason to believe that it is possible to achieve the gender equality goal by 2015 for primary education in most low-income countries, although the prospects for secondary and tertiary education are less promising. An important objective going forward is to understand what works to accelerate progress and to share the lessons more widely. In some countries where indirect costs are high, for instance, cash transfers have proven to be successful in improving girls' school attendance (Box 3).

Box 3. Mexico - OPORTUNIDADES

OPORTUNIDADES, formerly known as PROGRESA, is a major conditional cash transfer program in Mexico aimed at developing the human capital of poor households. The program provides monetary transfers that are contingent upon children's regular school attendance. The transfers are provided to families and the benefit levels are intended to offset the opportunity costs of sending children to school. They increase with the grade level in school—recognizing that the opportunity cost of children's time increases as they grow older. Rigorous impact evaluations of the program indicate that it has significantly increased the enrollment of children, particularly girls, especially at the secondary level. The results indicate that the children will have an average of 0.7 years of extra schooling because of OPORTUNIDADES.

Source: World Bank, 2004.

⁷ Gender and Education For All: The Leap to Equality. 2003. UNESCO.

B. Service Delivery

17. Greater integration of FTI with EFA will help make it easier to build on lessons of experience and to address service delivery issues. Such issues include distance to school, incomplete school cycles, disability, delivery by non-government providers (including religious schools), and direct and indirect costs of schooling. These are important aspects that have not been sufficiently addressed to date but some FTI countries provide instructive lessons. Burkina Faso, for example, has identified 20 provinces with low enrolments and classified them as priority zones for action. In Mauritania, the extensive use of multi-grade classes to increase the number of complete cycle schools and the provision of allowances for teachers in remote schools has improved retention in hard-to-reach areas.

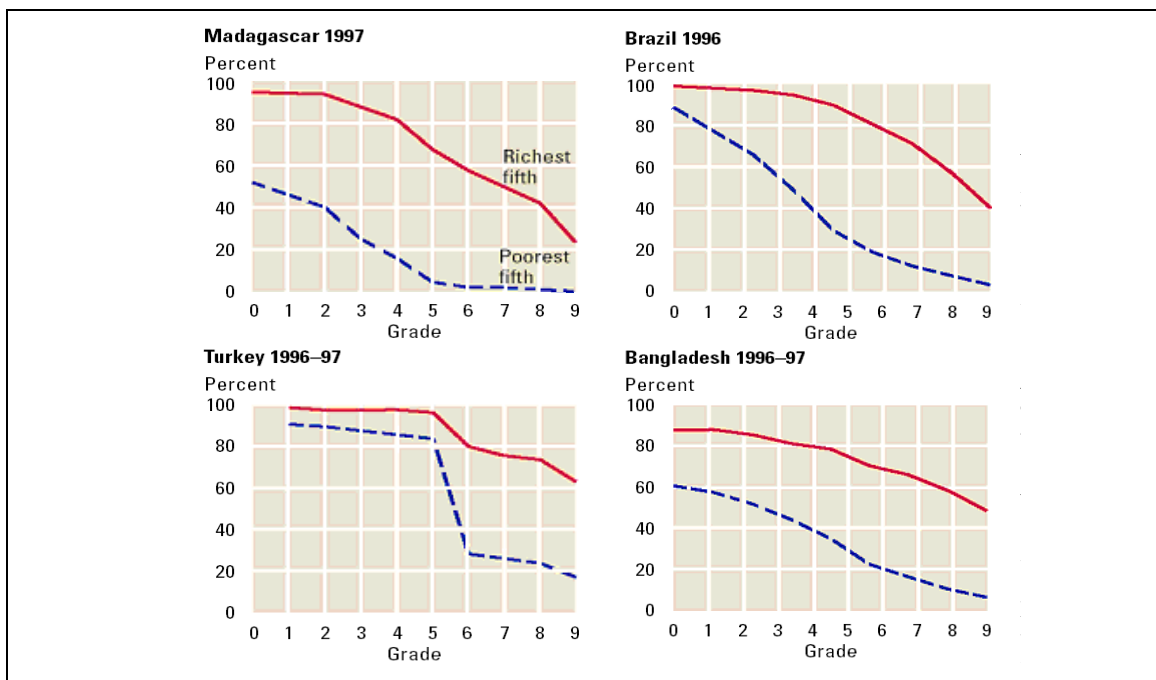
18. **Out-of-school children.** An estimated 104 million children of primary school age worldwide are not attending school. In many rural areas, primary school enrolment rates are half those of urban areas. Attendance figures further suggest that as many as 130 million children worldwide do not attend school regularly, two thirds of them are girls. The children who drop out of school because of low educational quality and competing demands from non-schooling activities are predominantly poor (Figure 2) Nearly 250 million children between 5-17 years are engaged in child labor and two thirds of them work in hazardous conditions. Free and universal education up to the minimum age for work is a key strategy to eliminate child labor. Out-of-school rates for girls with disabilities are up to ten times higher than for the population as a whole. Consistent data are needed on children with disability in order to help countries develop viable strategies for ensuring their inclusion—it is estimated that fewer than 5 percent of children with physical, cognitive, or sensory impairment in developing countries are reaching the goal of primary school completion⁸.

19. **Teachers.** Teachers are the linchpin of the education system. Expansion of FTI will require that countries ensure the availability of a sufficient number of qualified teachers in a sustainable manner. Guinea which addressed this concern early in its planning processes, provides an example of the step change it will take to reach UPC goals. In order to achieve a net increase of 4,615 teachers in the past two years, Guinea trained and recruited 5,533 teachers (an average of 459 teachers left the profession each year). This compares to an average of fewer than 200 teachers per year trained prior to 1999. A similar effort in Mauritania brought the student-teacher ratio from 48:1 in 2001 to 41:1 in 2003. The challenge of teacher recruitment is even more acute in countries where the HIV/AIDS epidemic has depleted the teacher stocks in the sector. An important function of FTI will be to synthesize and share global knowledge that will help decision-makers in FTI countries devise operational strategies for tackling this issue effectively, and to provide adequate financing. Where countries have hired teachers on an annual contract basis, or encouraged the growth of community schools with poorly qualified teachers, success in meeting the UPC goal will depend on improving working

⁸ Education Notes. *Education For All: Including Children with Disabilities*. 2003. World Bank.

conditions, providing better pre- and in-service training, and developing viable career paths for all teachers.

Figure 2. Impact of Poverty on Schooling*



* 15-19 year olds who have completed each grade.

Source: World Development Report, 2004.

III. FINANCING FOR EFA: LESSONS LEARNED FROM FTI

20. FTI is underpinned by a detailed analysis⁹ of the financial implications of progress towards UPC. This analysis estimates incremental annual costs of about \$10 billion annually in the low-income countries (against a baseline of \$90 billion), of which just under a half would need to be funded from external development assistance. Recurrent costs account for about 90 percent of total financing needs to achieve UPC, and 55 percent of the estimated external financing gap. Africa accounts for almost 75 percent of external financing needs.

21. FTI has established a process and a set of criteria to screen country plans for their medium and long-term fiscal implications. It compares them to domestic and external resource envelopes and reviews prospects for achieving efficiency gains over time. It involves efforts to project out macroeconomic balances as much as possible beyond the current 3-year financial horizon used to establish the Medium Term Expenditure Framework (MTEF), the budgets within it and related budget support instruments offered by the IMF and the Bank, while accepting that such projections inherently involve a high degree of uncertainty. This process is expected to evolve as lessons are learned.

⁹ Bruns et al. *A Chance For Every Child*. 2003. World Bank.

A. Mobilization of Additional Resources: Progress and Challenges

22. **External resource mobilization.** The FTI experience has demonstrated that there is potential within current processes to mobilize the funds needed to achieve EFA. For the period 2003-05, about \$200 million, a 50 percent increase over existing bilateral support, has been mobilized for the first seven FTI countries (Figure 3). In addition, many bilateral agencies have made commitments to increase the level of their support for education. The Dutch government, for example, made commitments in Dubai in September 2003, to allocate a total of Euro 2.5 billion to education over the next five years, of which Euro 1.9 billion would be spent on basic education. Some of these additional resources have already been channeled through the Catalytic Fund. Similarly, the World Bank increased its investment lending for education from \$728 million in FY00 to \$2.3 billion in FY03; approximately one half of this amount is for basic education.

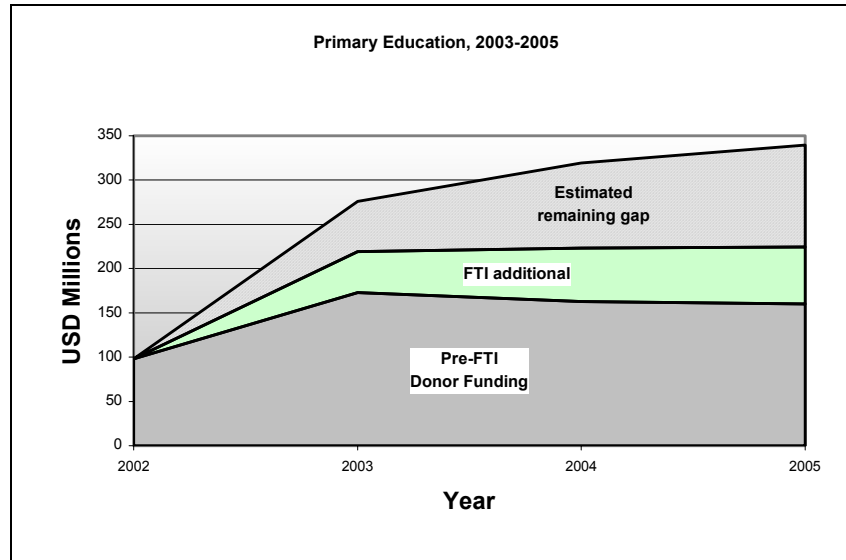
23. This represents real progress but falls far short of the level required to help countries close the financing gap on UPC, and there remains a real concern that with the increase in the number of countries eligible for FTI financing, the financing gap will continue to grow—the first 7 FTI countries represent only 6 percent of the total out-of-school population and the financial commitments sought to date run only through 2005 rather than 2015. While important aid absorptive capacity issues need to be addressed, concrete evidence is emerging that it is possible to drive EFA progress much faster when countries have the assurance of adequate and reliable political and financial support. The World Bank estimates that maintaining the virtuous cycle of performance-driven support for improved results would require increasing overall external financing for primary education in low-income countries from the current level of just over \$1 billion per year to about \$3.7 billion per year through 2015 – an estimate which many consider conservative. This would imply a quadrupling of the flow of donor support for primary education in the poorest countries, and represents a substantial challenge for donors in a period of competing fiscal and political pressures.

24. **The FTI Catalytic Fund.** The FTI Catalytic Fund was established in November 2003 to support countries that meet the FTI criteria, but have at present a limited level of donor support for education. This \$229¹⁰ million fund provides transitional assistance to countries which meet the FTI eligibility criteria but have difficulty mobilizing additional external funding at the local level for lack of a strong donor presence. The fund further enables countries to scale up implementation of their sector programs and establish a track record of performance to attract longer-term support from new donors. Key principles of the Fund are that it be catalytic (providing only 2-3 years of funding to any country as a transitional boost that can enable them to launch implementation and begin to demonstrate results), flexible (enabling donors to provide support to countries where they do not have a presence and supporting any expenditure category of an endorsed

¹⁰ Donor financing for the Catalytic Fund to date is as follows: Netherlands--\$210 million, Norway--\$12 million, Italy--\$2 million, and Belgium--\$5 million.

sector plan), and performance-based (no assured support if performance is poor). The donors have also agreed in principle to provide upstream support as needed for countries preparing education sector plans through a proposed new Global Facility for Program Preparation, expected to become operational in late 2004.

Figure 3. First 7 Countries - Estimated Financing Gap



Source: FTI Secretariat, December 2003.

25. For donors working to help developing countries meet the EFA goal, two important changes are needed: (i) increased financing and particularly increased disbursements; and (ii) increased flexibility in funding modalities and increased predictability. The expanded aid requirement appears feasible within the incremental assistance (\$16 billion) already pledged by donors in Monterrey. Donors, however, do not now collectively provide support in a form that is flexible enough, predictable enough, and stable enough to meet EFA needs.

26. **Accounting for budget support.** One of the challenges highlighted by FTI is how to account for the benefit accruing to education from aid channeled through budget support. We recognize that this might result in an underestimate of external funds available and have therefore commissioned a study¹¹ to define modalities for accounting for budget support (Annex 5).

27. **Predictability of funding.** A further clear lesson of FTI experience is that the bilateral donors - who have made the bulk of new FTI commitments to date - still have limited ability to make multi-year funding commitments. This means that even those FTI countries whose incremental needs have been fully met for 2003 or 2004 generally still have financing gaps in the outer years of the FTI planning horizon. Given that one of the explicit goals of FTI is to assure countries the sustained and predictable support that they need for undertaking new recurrent obligations, such as hiring new teachers, an important

¹¹ Foster, "Accounting for Donor Contributions to Education For All" (Report to the World Bank), 2004.

lesson of the first year of FTI experience is that the "virtual fund" model¹² piloted by FTI presents difficulty in producing stable medium-term commitments.

28. **Domestic resource mobilization.** A firmly shared commitment of the FTI partnership is that the responsibility of the public sector is to finance (not necessarily to provide) universally available primary education, free at the point of service. It is therefore expected that the overwhelming bulk of the funding—85 percent—will come from national budgets in poor countries, operating at the limits of their tax revenue possibilities and devoting the maximum feasible shares of what they collect to primary education. Donor finance under FTI therefore operates to fill the initial resource gaps until higher domestic growth and lower unit costs eventually allow full self-sufficiency at the country level. In a few countries where the education needs are greatest, the policy environment sound but domestic financing severely limited, donor finance would need to cover a larger share of the total funding needs.

29. FTI has resulted in a modest but positive increase in domestic resource mobilization in its first year of implementation. The first seven countries show an increase of \$29.9 million in domestic resources for primary education against a baseline total of \$355.4 million, or just over 6%, and are projecting similar increases over the next two years. The effect may be somewhat muted in that the first set of FTI countries already had good sectoral policies in place giving priority to primary education, and had limited margin for further increases. Further, as noted above, given the insufficiencies of current tracking methodology, it is difficult in most countries to determine the proportion of domestic resources for education attributable to budget support.

30. The Heavily Indebted Poor Countries (HIPC) Initiative appears to have led to a significant increase in domestic resource mobilization for education. Countries are responding with an additional effort that goes well beyond agreed levels. For instance, the debt service of these countries fell by \$259 million over four years¹³, but expenditures on education increased by \$377 million while health expenditures increased by \$330 million. The share of GDP spent on education increased from an average of 3.2 percent to 4.0 percent between 1998 and 2002. Education's average share of total government expenditure rose from 15.7 percent to 18.2 percent. This includes all levels of education, although primary education appears to have received a disproportionate share of the increases. In Mali and Guinea, HIPC debt relief negotiations explicitly provided for improving the wages of contract teachers and increasing their numbers—Mali now provides a minimum monthly stipend of 25,000 CFA francs to over 5,000 community school teachers as a result of HIPC debt relief.

31. **Absorptive capacity.** Absorptive capacity constraints further complicate the estimate of financing needs. Absorptive capacity constraints may also be a factor in the

¹² The term "virtual fund" refers to parallel financing by donor partners through their existing channels in lieu of up-front contributions to a global fund.

¹³ World Bank 2003. Notes on the Impact of the HIPC Initiative on Education and Health Public Expenditures in African countries.

disbursement lags¹⁴ for donor supported projects, which average 14 months in the first ten FTI countries. “Diffusive” capacity constraints, complexities on the donor side in terms of making funds available to countries, also contribute to slow down the pace of implementation. However, past experience with investment programs may not be an accurate predictor of the faster-disbursing approaches available for recurrent expenditures, which represent the bulk of external financing needed under FTI.

32. **Fiscal sustainability.** FTI experience demonstrates for the education sector the broader reality that even under the most optimistic growth scenarios and the best fiscal management, the dependency of many low-income countries on external aid will remain stable or increase over the short and medium term. This is due in part to their vulnerability to external shocks, as well as to other factors such as sluggish economic growth and the unfavorable terms of trade for agriculture that depress economic growth in many low-income countries. Many countries will need continued support, certainly up to the target year of 2015. Analysis, for instance, shows that projected domestic resources will be sufficient to cover teacher salaries by 2015 in only three of eight FTI countries in Africa¹⁵ and will not be sufficient to cover total education spending in any of the countries. Figure 4 illustrates this point in the case of Tanzania and Mozambique. What is unclear is how long and deep the commitment by donors to backstop national budgets should run, and what form it should take in different countries.

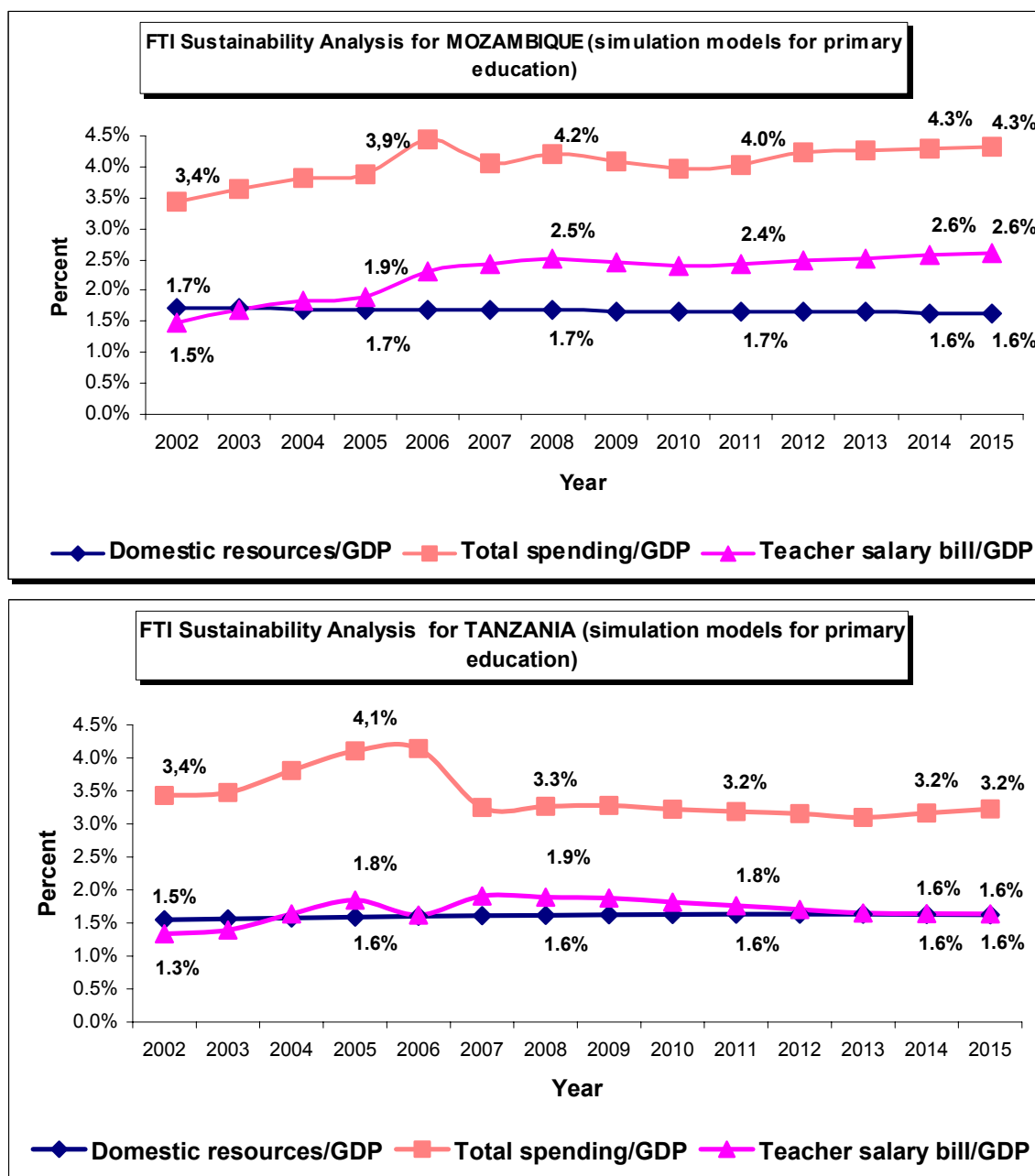
33. **General budget support.** The most important category of instruments to achieve needed flexibility is general budget support. Direct budget support operations have become the instrument of choice for many donors, including DfID and the EU. France has also for the first time begun a shift from project to program support (Burkina Faso and Niger). Budget support programs such as PRSCs and IDA policy based credits and parallel activities of many other donors can underpin the quantity and quality of education spending, but these resource flows are more volatile than those freed up from HIPC debt service relief, as overall financing levels are based on donor budgets and borrowing country performance, which goes far beyond the performance of the education sector¹⁶. As noted above, a significant revenue source for UPC is debt relief, especially reduction of debt service with a predictable, long-term horizon, and its direct link to fiscal sustainability and recurrent costs, and to the quality of government expenditures. The HIPC initiative, with its focus on improved budgetary management and tracking of debt service relief, has already given IDA borrowers the ability to increase education expenditures and mobilize additional budget support, which can be allocated to the education sector.

¹⁴ The disbursement lag is calculated as the difference in months between the timing of disbursements estimated at the time of project/program appraisal and the actual disbursement profile.

¹⁵ Source: Agence Française de Développement, 2003.

¹⁶ A further option under consideration is for the MDBs to offer concessional credits for primary education which could be converted to grants based on net present value. Credit buy-backs have been piloted by IDA for polio eradication credits in Nigeria and Pakistan. Such approaches may have a limited role to play in the education sector, and run the risk of reducing overall volumes of financing in the long run.

Figure 4. FTI Sustainability Analysis for Mozambique and Tanzania
(simulation models for primary education)



Source: Agence Française de Développement, 2003. Staff Analysis.

34. Project-specific assistance coordinated under FTI has a continuing complementary role to play. It should in all cases be within country priorities as established in their sector plans. Wherever domestic financial management systems allow, projects should be financed through the budget, using domestic control and accounting processes. Such assistance should preferably evolve towards supporting costs for facilities and sustainable production of materials, towards covering at least all incremental teacher salaries in the project orbit, and boosting system management capacities. FTI partners should try to agree on common standards for project support, including full disclosure of assistance to national budgetary authorities.

IV. REMAINING CHALLENGES

35. **Adjustment of roles and responsibilities.** The expansion of FTI has been accompanied by a shift in responsibility for resource mobilization from the global to the country level. Over the past year, partners' meetings in Paris (March 2003) and Oslo (November 2003) served to clarify that the funding process would be locally-led, beginning as a process of dialogue and resource mobilization between each country and its local development partners (Annex 1). This local process would be undergirded by the global dialogue among FTI partners to ensure that needed levels of financing are available. The FTI global partnership would be involved directly only where the local process fails to produce the needed increase. This evolving design has the potential for making FTI more responsive to country-specific conditions and reducing the overall administrative burden.

36. The FTI was closely linked to cross-national analysis that itself built upon a normative analytic model derived from countries perceived as having moved successfully towards UPC. During the first 20 months of FTI implementation, there has been a growing realization that the application of a single model with standardized parameters and a centralized approach of providing country support has its limitations. Hence, the FTI has moved away from a global program administered by a central secretariat applying a standardized "model" to a flexible approach with greater responsibility placed with governments and country based donors in education. Likewise, the FTI indicative framework is now understood more as a guiding framework that reflects best practice rather than an obligatory pathway.

37. At the same time, in order to ensure consistency and equity in the treatment of all FTI countries across their different systems, a common analytic framework, a clear set of performance targets and an international overview are applied; this responsibility is placed with the international secretariat. Agreement on procedures for the transfer of resources to support a particular country's FTI program requires country-specific knowledge and is thus best coordinated by the in-country lead donor. The lesson learned here is to match the responsibility for tasks to the level, and the actor best suited to carry it out. This lesson has not yet been consistently applied and much remains to be done. For example, as yet the guidelines for the in-country lead donor as to its role and responsibilities have yet to be developed.

38. **Communication.** A remaining challenge facing FTI is to improve communication among FTI partners and other stakeholders. Such communication should include information on the basic FTI objectives and expectations as well as country-specific progress and challenges in order to stimulate a broader exchange of ideas about what works well and what does not. It should also include information about progress under the initiative itself in achieving core objectives of financing and policy support to partner countries.

39. **Monitoring and evaluation.** The analytical work done in the lead-up to the launch of the FTI provided the basis for the initial quantitative picture of country level situations. However, there is a growing realization that the necessary systems and structures to ensure regular and transparent monitoring and evaluation, especially country-specific data, are inadequate. First, the fiscal and budget situations of all FTI countries have evolved rapidly and this has rendered the financial projections on which development partners estimate the countries' financial needs out of date. As yet there is no regular process to ensure that the connection is made between a country's PRSP, its MTEF, its FTI program and its annual budget. Second, the measurement of country performance, while agreed and formalized through country-specific MoUs, has suffered from the poor quality of data in most countries.

40. As a wider selection of lending instruments tailored to country-specific needs becomes available, it is important that the ability to monitor donor support keep pace. This is necessary for recipient countries to plan EFA implementation on a year-to-year basis. It may also be important for donor countries to be able to show the EFA impact of their financing, in order to strengthen commitment for increasing levels of development assistance. The tasks of tracking and reporting donor support in a timely, comprehensive and accurate manner present a number of technical challenges, which are described in greater detail in Annex 5.

41. **Data quality.** The UNESCO Institute for Statistics has taken measures to improve data quality and timeliness. The annual EFA Global Monitoring Report produced by UNESCO is a welcome source of information about education trends in EFA countries. The data time lag has been reduced to under two years, a substantial improvement over the four-year time lag that prevailed in the recent past, although many data gaps persist. Remaining concerns for EFA-FTI include weak data on the number of out-of-school children, unresolved issues related to the calculation of the primary completion rates, and the virtual absence of data on disability and learning outcomes. Most developing countries do not yet have ongoing programs to measure student learning in a systematic way that will allow trend analysis. Many quality proxies should also be measured to track progress over time—student time-on-task, student-teacher ratios, textbook-student ratios, and class size. Many countries will need systematic support to improve the quality of data. An international agreement is urgently needed to systematically measure trends in learning.

42. **Accelerating progress on donor harmonization and preserving the synergies created by the EFA-FTI.** Although progress has clearly been made in donor harmonization, some development partners continue to fund activities outside of agreed sector plans. A significant amount of aid is not flexible enough to provide direct support to the priority investments and, especially, the recurrent expenditures such as teacher salaries that are crucial for accelerated MDG progress. The FTI partners are discussing adoption of a “donor indicative framework” that would transparently monitor each agency’s harmonization progress, in parallel to the monitoring of country policy performance and results under FTI. A draft set of indicators is being developed by the Development Assistance Committee (DAC) and the European Union (EU) for piloting by FTI donors (Annex 6).

43. **Enhanced monitoring of education aid composition and effectiveness of various instruments.** An important complementary activity to the funding role of FTI is to track the evolution of development partner assistance within and across countries. While the Secretariat will continue to carry out the bulk of this work in the short term, it seems particularly useful and timely to involve DAC in improving development partner reporting. It will also be important to link the FTI experience closely to that of the broader effort to pursue the Rome agenda on harmonization, for which a DAC task force is already in operation. The FTI would provide useful case material for this purpose.

44. **Scaling up and ensuring more long-term, predictable financing.** As noted above, the expansion of FTI to many more low-income countries over the next few years will necessitate a quadrupling of external aid for primary education by 2005/6, compared to 2002. Delivering on the FTI goal of more predictable financing will also be difficult, as bilateral agencies’ commitment horizons rarely exceed 2-3 years, and the Catalytic Fund can only provide short-term support. The ideal mechanism for support would be one which provides long-term predictable resources. This will require using either new bilateral funding instruments or increasing contributions to longer-term multilateral funding programs. Several instruments for ensuring predictability and sustainability are currently under discussion. Options include approaches to enhance the flexibility of IDA, strengthen the focus on debt sustainability and increase the concessionality of financial support. As a wider selection of financing instruments tailored to country-specific needs becomes available, it is important also that the ability to monitor donor support keep pace. In many countries, the pace of implementation of reforms is constrained by multi-sectoral service delivery constraints. Capacity building and institution building remain a prerequisite to the establishment of more results-based management and better accountability and incentive schemes that can lead to better system management.

45. **Removing constraints on economic growth by improving education quality.** Underlying the implementation of FTI is a recognition of the multiple benefits of education. It is one of the most powerful instruments to reduce poverty and inequality and to lay the basis for sustained economic growth. Education also has powerful synergistic effects on other development objectives: empowerment, better health, and good governance. The attainment of EFA, however, goes beyond access to education. Education quality is the critical ingredient in boosting economic growth. In addition, the

achievement of UPC is regarded not as an end, but a first critical step towards lifelong learning which embraces secondary education and beyond. One of the key FTI objectives, then, is to help countries develop sound, inclusive strategies to accelerate progress towards good quality education. Furthermore, research¹⁷ shows that productivity suffers when education quality is low. A strong positive relationship between economic growth and the quality of education as measured by test scores is documented, concluding that the length of schooling is important for growth, and that the quality of schooling is even more important. However, the quality of education remains far too low in many developing countries. A survey in Niger, for instance, found that only 20 percent of adults with four years of primary schooling were able to read. Regional studies¹⁸ in Africa have found that as few as ten percent of children master the intended curriculum. High percentages of fifteen-year-old children in Mexico and Brazil¹⁹ were found to have levels of literacy knowledge too low to be competitive in the workplace, or to have the capacity to upgrade their skills through subsequent job-related skills training. Low quality of education also limits progress towards the MDG and EFA goals by increasing the risk for children to repeat grades or drop out of school prematurely. This issue will become increasingly important as UPC is achieved in countries and education quality becomes the key constraint to improved impact.

46. **Summary.** In summary, significant progress has been achieved within the FTI context but much remains to be done. Countries will need to strengthen their policy environment while remaining on course on implementation. FTI partners will need to improve their own capacity to deal with the enhanced country-level role of FTI. They will also need to increase the overall level and predictability of financial resources available, either through bilateral or multilateral channels. Finally, they will need to increase the agility and flexibility of resource transfers—to make the Fast Track truly fast.

47. Based on this report, the following issues are proposed for Ministerial consideration at the Development Committee meeting:

- Do Ministers agree that the continued implementation and expansion of FTI is an important mechanism for helping countries achieve the MDG goal of universal primary education by 2015?
- Do Ministers agree with the need to provide increased financing through multilateral and bilateral channels and to also make financing more flexible and predictable?
- What adjustments in donor arrangements and recipient effectiveness do Ministers consider necessary to accelerate implementation? Do Ministers agree with the

¹⁷ Barro, R. 2001. Human Capital and Growth, *American Economic Review*, 92 (2).

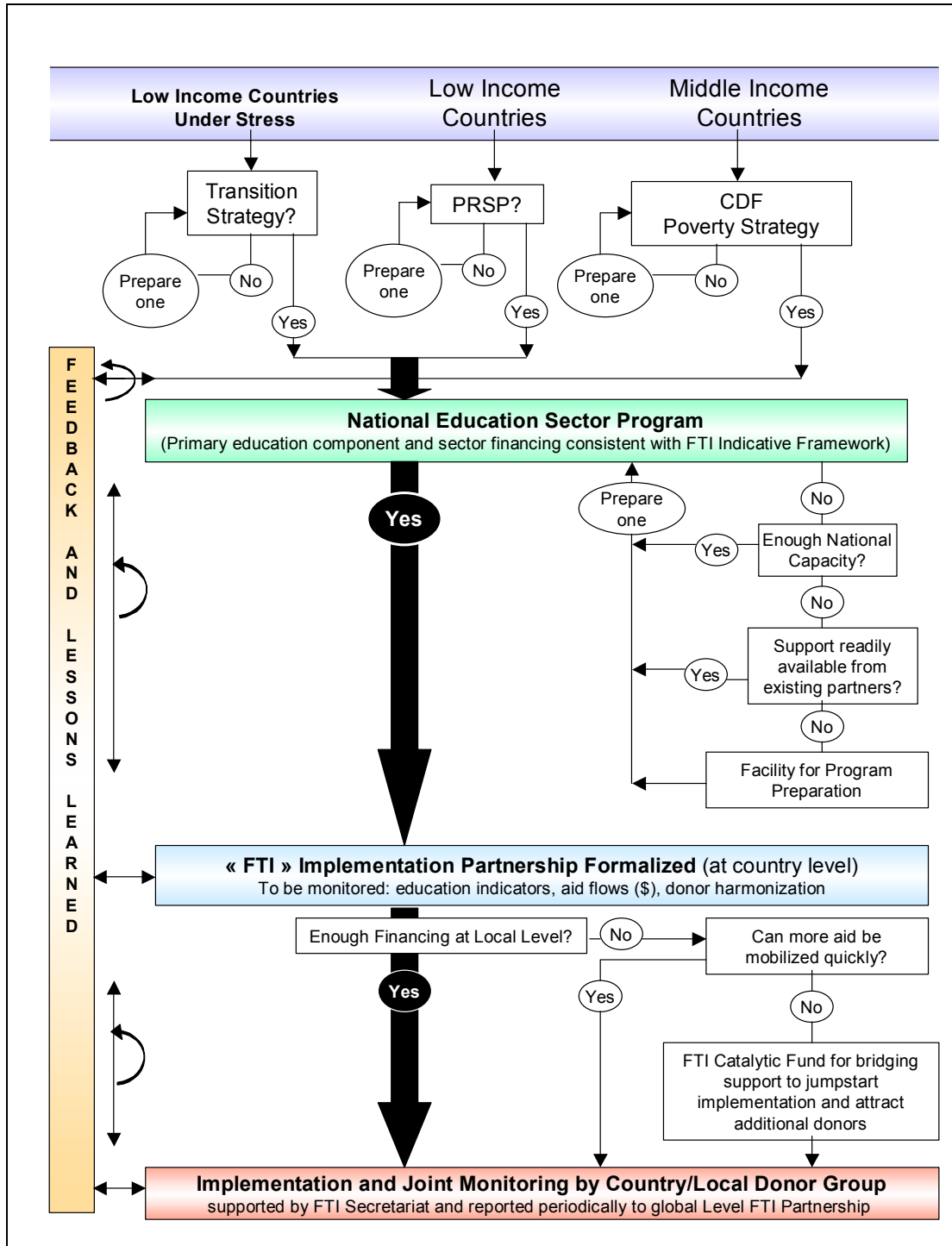
¹⁸ Program for Analysis of Education Systems in CONFEMEN countries (PASEC), Southern Africa Consortium for Measuring Education Quality (SACMEQ).

¹⁹ PISA, 2003.

proposed donor indicative framework for FTI as a pilot to track progress on implementing the Monterrey consensus?

- Do Ministers agree that interim financing targets should be set for the next three years in order to increase accountability and commitment for improving results?

Annex 1. The EFA-FTI Process



Source: World Bank, January 2004.

Annex 2. FTI in Mozambique

The Fast Track Initiative has helped Mozambique define its strategy for accelerating progress towards EFA by focusing attention on policies to improve effectiveness and sustainability:

Low primary completion rates - Government has moved from a focus on gross enrolment rates to completion rates as a key outcome indicator, and to developing explicit strategies for addressing repetition and dropout.

High construction costs - The FTI has helped the government develop high-quality standards for construction that shift from centrally-managed to community-managed implementation, increasing ownership and reducing costs from \$20,000 per classroom on average to \$10,000 or less per classroom for all donor- and Government-supported construction.

AIDS orphans - Specific interventions to assist AIDS orphans have been planned and costed with FTI support.

Teacher recruitment- Government has negotiated a more sustainable salary policy for hiring large numbers of additional teachers to meet EFA goals, with analytic support from FTI.

Donor policy dialogue- The FTI has brought the donor group together in a unified policy dialogue with the Government, and catalyzed additional support for moving forward in the FTI framework.

Planning and implementation capacity- Capacity has been built within the Ministry of Education for analyzing education sector and fiscal policies through simulation modeling.

Multi-sectoral linkages - FTI has helped build multi-sectoral linkages through intensive in-country involvement in the development of PRSP, PER, and CAS.

Source: World Bank, 2004.

Annex 3. FTI Eligible Countries Post-Oslo

First FTI Countries, 2002	FTI Eligible Countries, February 2004	
Albania	Armenia	Pakistan
Bolivia	Azerbaijan	Rwanda
Burkina Faso	Benin	Sao Tome & Principe
Ethiopia	Cambodia	Senegal
The Gambia	Cameroon	Sri Lanka
Ghana	Chad	Tajikistan
Guinea	Djibouti	
Guyana	Georgia	
Honduras	India	
Mauritania	Kenya	
Mozambique	Kyrgyz Republic	
Nicaragua	Lesotho	
Niger	Macedonia	
Tanzania	Madagascar	
Uganda	Malawi	
Vietnam	Mali	
Republic of Yemen	Mongolia	
Zambia	Nepal	

Source: FTI Secretariat, February 2004.

Annex 4. EFA Financing for the First Ten FTI Countries

Countries	Resources Avail. Primary Education		Government Funding		Direct Donor Funding		Projected Financial Needs		Financing Gap	
	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005
Burkina Faso	78.7	79.2	41.0	43	37.7	36.2	87.9	89.5	9.2	10.3
Gambia	14.4	18.6	4.8	5	9.6	13.6	18.0	19.3	3.6	0.7
Guinea	77.1	83.3	43.4	52.4	33.7	30.9	98.3	108.6	21.2	25.3
Guyana	20.5	23.6	15.7	18.3	4.8	5.3	26.1	29.2	5.6	5.6
Honduras	178.7	178.7	150.0	150	28.7	28.7	204.8	200.5	26.1	21.8
Mauritania	36.3	33.1	20.2	21.7	16.1	11.4	36.3	37.2	0.0	4.1
Mozambique	100.1	85	70.0	74	30.1	11	184.8	183	84.7	98
Nicaragua	93.1	101.8	75.0	76.3	18.1	25.5	111.2	126.9	18.1	25.1
Níger	72.6	75.7	32.0	33	40.6	42.7	87.6	93	15.0	17.3
Yemen	434.4	433.9	382.0	382	52.4	51.9	455.4	457.2	21.0	23.3

Source: FTI Secretariat, January 2004.

Note: Figures in US\$ million.

Annex 5. Monitoring Donor Funding: Some Technical Challenges

Current mechanisms for monitoring donor support to FTI frequently over-report financing available. For instance, there has been a general reliance on commitment data that are often poorly related to actual disbursements. Self-reported donor spending may cover activities and expenditures that fall outside a country's agreed plan. To the extent that the plan represents a credible and least-cost route to reaching UPC, spending outside the plan adds to the total cost of achieving the goal without reducing funding shortfalls. A further problem is that aid earmarked for UPC could be offset by reduced Government spending from domestic resources. It is particularly important that recurrent expenditures such as teacher salaries be adequately embedded in the national budget and cash management. In order to assess the contribution of aid, it is necessary to estimate a counterfactual (what would have happened without the aid?). There is no 'right' answer to how to estimate this, but the recommended approach is an explicit agreement between Government and donor partners on the contribution that each will make to funding UPC and joint monitoring of actual expenditures.

External support may also be under-reported. This is particularly true of budget support, whether sector-specific or general, which is currently "invisible" for EFA-FTI reporting purposes. This means, for instance, that under current reporting procedures, even if spending on FTI activities increases 20 percent because a donor has provided a 20 percent increase in general budget resources, this increase will not be captured as external FTI support.

In general, for monitoring purposes, it is proposed that General Budget Support and HIPC debt relief should be allocated to FTI according to the share of each sector or sub-sector in total ODA-eligible Government expenditure, i.e. excluding defense and security expenditures. Sector budget support not earmarked to FTI should be attributed in proportion to the share of FTI in sector budget expenditure. Aid earmarked to FTI should be attributed at the levels accepted by the Government-donor partnership as consistent with the EFA plan.

Defining a Baseline and Interpreting Trends. In order to interpret trends over time, it is important to carefully define the baseline level of spending. Ideally, this would represent the expenditure that Government would have undertaken had there been no change in Government access to external resources. There are several different approaches that could be taken.

Comparisons can be made with the real level of spending in a prior year. This was the approach taken by Uganda in defining the 'poverty action fund.' It has the merit of simplicity and ease of interpretation. Conversely, the baseline can be defined in terms of the existing share of Government general budget resources spent on UPC. This definition would require some additional reporting from Government, but would give a clear and unambiguous view of the effort that Government is making, defined in terms of the share of resources under Government control that Government devotes to UPC.

The baseline can also be defined for each year in terms of a target share of resources that Government agrees to allocate to the UPC program. This approach is useful if there are a priori reasons for wishing to see Government allocate an increasing share of Government resources over time. The definition could be as above, but the baseline would be increased each year.

Finally, baseline spending could be defined in relation to spending as a share of GDP or in terms of target expenditure per pupil of school age, making reference to international or regional comparisons. These data can inform the judgments required to assess whether Government spending needs to increase, with the caveat that it is difficult to ensure comparable data when there are significant differences between systems and their financing.

Regular reports should be requested from Fast Track countries. This should cover actual disbursements on UPC consistent with the national EFA plan by Government and donors as reported to the partners, the expected future costs of UPC for the next two to three years with indicative figures to 2015, the commitments from Government and donor sources to fund it, and expected funding shortfalls for which additional commitments are requested. This is analogous to the financing tables that were produced for many years to inform funding decisions under the Strategic Partnership with Africa (SPA), but with the additional feature that the figures will be owned and ‘signed off’ by the Government and donor partners. Some such annual assessment is standard within SWAs; in the best practice cases, it is coordinated with the annual Government budget cycle. The challenge will be to produce comparable figures without imposing unreasonable additional demands.

Source: Excerpt. “Accounting for Donor Contributions,” 2004.

Annex 6. EU Donor Harmonization—Education Sector Goals and Indicators

Goal	Indicator
Active donor group in the field of education	Number of EU/Member States (MS) donors that support education and participate in meetings of an education donor group on a regular basis
Joint policy analysis of the education sector	Number of EU/MS donors participating in a joint analysis of the education sector
Alignment with government education sector plan	Number of EU/MS donors following their own targets and priorities for education that are different from the government education strategy
Pooling of expertise	Number of EU/MS donors supporting a pool of technical assistance for capacity building in partner country Number of EU/MS donors participating in joint appraisal/auditing/evaluation studies
Transfer mechanisms for development assistance	Advancement on a spectrum of transfer mechanisms running from traditional projects to general budget support Number of EU/MS donors directly supporting the most advanced transfer mechanism
Common education indicators to monitor key performance in education	Number of EU/MS donors that join up with government and donors on agreed common education indicators
Joint assessment of performance progress led by partner country	Number of EU/MS donors participating in the Annual Joint Education Review led by the partner country government
Common reporting procedures	Number of EU/MS donors using their own parallel procedures for reporting back to their home countries or multilateral agencies
Performance-based aid disbursement	Number of EU/MS donors linking their aid disbursements directly to the progress against agreed targets through assessment of key education indicators during the Annual Joint Education Review

Source: Discussion Paper for EU Member States Education Expert Meeting, September 2003.