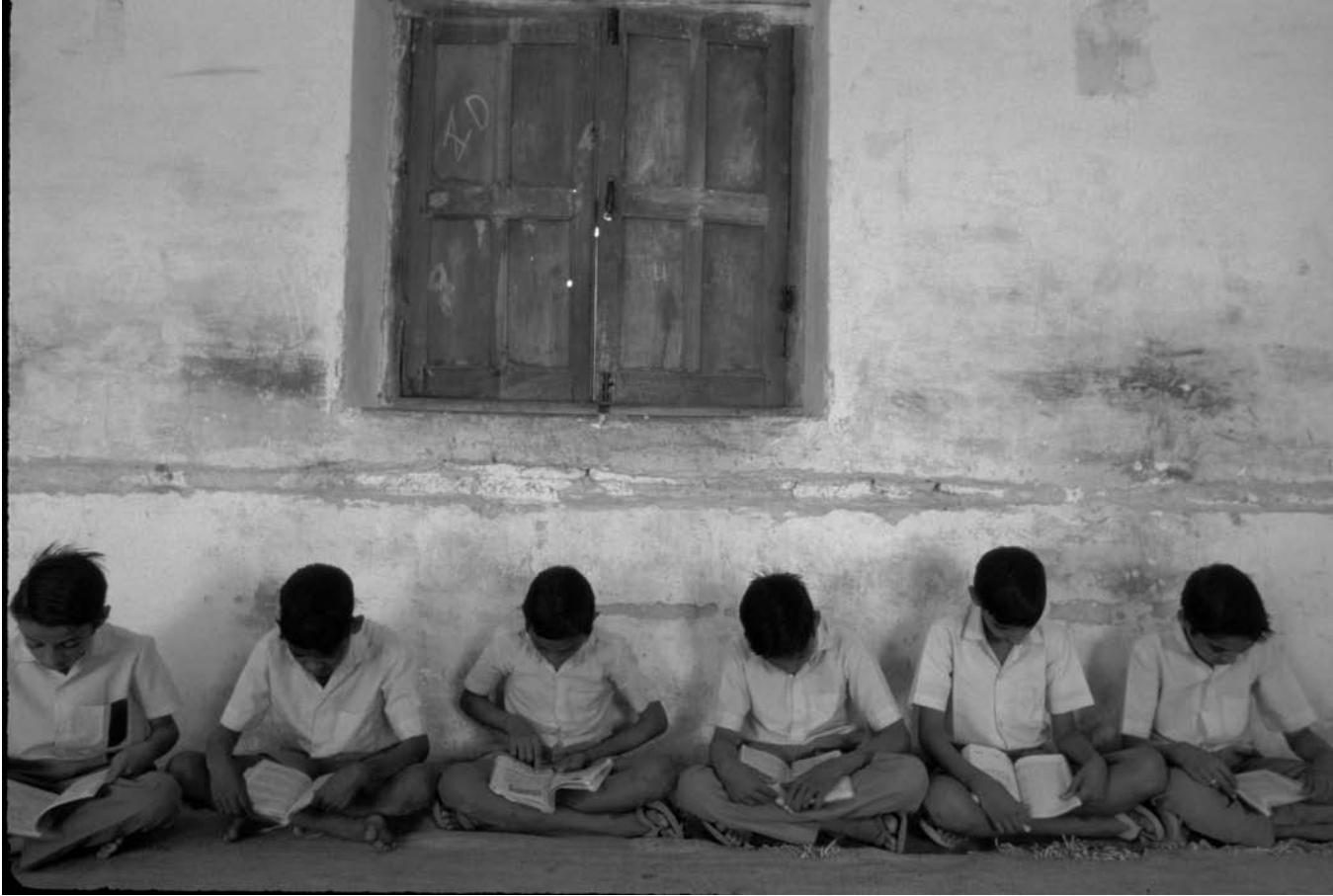


Redesigning the Basics:
How to Improve the Impact of U.S.
Foreign Assistance for Basic Education



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Redesigning the Basics:

**How to Improve the Impact of U.S.
Foreign Assistance for Basic Education**

By John Middleton with Emily Mintz
RESULTS Educational Fund
Washington, D.C.
September 2008

RESULTS Educational Fund

RESULTS Educational Fund (REF) is a 501(c)3 non-profit citizens' advocacy organization based in Washington, D.C., that is committed to educating the public, the media, and government leaders about issues related to poverty and hunger in the United States and abroad. It organizes public forums, trains citizens in being active participants in democracy, holds media conference calls to share the latest information, and conducts oversight research to determine the effectiveness of programs meant to address poverty and inequity. REF combines its advocacy efforts with its sister organization, RESULTS, Inc. (a 501(c)4 organization), and international affiliates in Australia, Canada, Germany, Japan, Mexico, and the United Kingdom, for greater impact worldwide.

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EXECUTIVE SUMMARY

IN RECENT YEARS, THERE HAVE BEEN SIGNIFICANT INCREASES BY THE U.S. AND OTHER DONORS in foreign assistance for basic education in developing countries. However, many countries are lagging against the Millennium Development Goal (MDG) for universal access to basic education by 2015, and 72 million children — particularly girls, poor children, orphans, and other vulnerable children — are not in primary school.

The U.S. has provided a substantial share of the increased international financial support for basic education, mainly through the U.S. Agency for International Development (USAID), but there are factors that limit the effectiveness of each aid dollar.

In 2007, the General Accounting Office (GAO) issued a public report on the use of these funds. The report, titled “Enhanced Coordination and Better Methods to Assess the Results of U.S. Foreign Assistance for Basic Education,” focuses on USAID, which administered \$2.2 billion of the total \$2.3 billion in aid for basic education during that time. Some of the findings indicate that, while U.S. investments in basic education have increased, it is not at all clear that these increased resources have had a concomitant impact on access to or quality of basic education in beneficiary countries.

During the period FY 2001-2006, the U.S. Congress appropriated \$2.3 billion to support the expansion and improvement of basic education in developing countries. In FY 2008, the U.S. government appropriated another \$700 million for basic education around the world – an amount that could and should have a huge impact on the number of children enrolled, attending, and learning in school. However, this impact is contingent upon changes in America’s education aid practices: education aid needs to be comprehensively tracked and evaluated, better targeted, and coordinated so that efforts are harmonized and leveraged to get the best results from U.S. investments in education.

Issues of Concern in U.S. Assistance for Basic Education

The three weaknesses identified in U.S. foreign assistance for education are:

(1) Poor evaluation: Outcomes have not been well-measured and, consequently, the impact of many USAID programs on the access, quality, and institutional capacity of basic education systems remains largely unknown. As a result, it is nearly impossible to successfully evaluate and improve programs.

(2) Geopolitically-motivated country selection: Basic education investments are openly aligned with U.S. foreign policy objectives, which have emphasized assistance to countries which have a geopolitical importance to the U.S., and are not necessarily aligned with objectives and indicators of educational need. By aligning basic education investments

While U.S. investments in basic education have increased, it is not at all clear that these increased resources have had a concomitant impact on access to or quality of basic education in beneficiary countries.

so strongly with economic and security goals, the U.S. is failing to achieve its shared global mandate to alleviate poverty by improving learning in the poorest countries.

(3) Weak coordination: The U.S. remains the last major donor to provide the bulk of its overall development assistance, including for basic education, through autonomous projects. The majority of these project funds are required to be spent on U.S. goods and services, a practice that is often referred to as “tied aid.” Projects operate on separate bank accounts that are not part of the governments’ budgets or financial management processes. In other words, countries do not receive U.S. funds to implement their basic education programs, but rather U.S. experts, consultants, and equipment are procured — all at U.S. prices. It is generally agreed that education development is more effective and more sustainable when countries have strong ownership of policies and programs and do the work themselves. The lack of coordination between U.S. tied project aid and beneficiary countries greatly limits the effectiveness of U.S. investments.

Immediate Actions to Improve U.S. Assistance for Basic Education

The GAO report and our subsequent analysis demonstrate the need for reform in USAID’s foreign assistance for basic education. Aid effectiveness can be substantially increased through these immediate concrete steps:

(1) Improve evaluation: USAID should be directed and funded to require good evaluations that systematically measure outcomes and costs for all of its basic education investments. The U.S. Congress should consider commissioning in-depth independent evaluations of USAID basic education programs in select countries as well as an overall assessment of current USAID evaluation and reporting systems.

(2) Improve coordination for more effective country partnerships: There are several ways for USAID — and other U.S. government agencies that implement smaller basic education programs — to improve coordination with host countries and for donors to build host country capacity.

(3) Bridge the gap between USAID and the Fast Track Initiative (FTI): In moving away from direct management of tied resources, donors who participate in FTI (a donor-recipient partnership to improve aid for basic education) are creating space and incentives for national and local leaders to step forward to assume responsibility and accountability for basic education outcomes and financing. A consistent policy supporting USAID participation with FTI at the country level would go a long way toward improving the effectiveness of both USAID and FTI by coordinating support for governments with the whole donor community to achieve the MDG for basic education.

Moving to Need-Based Integrated Foreign Assistance

In addition to the suggestions from the previous section, Congress should also consider major structural changes to U.S. foreign assistance in order to base aid on country needs, as documented by indicators of education quality and efficiency, to encourage and enable more effective investment in building country capacity, and to join the U.S. with the majority of bilateral donors who are actively committed to integrating aid with country program plans. Many developing countries have a decade or more of experience with Education for All, much of it successful as measured by expanded educational opportunity. Countries are ready to take more technical and managerial responsibility for their own programs and results. High on the priority list for capacity building is financial and procurement management. By moving toward integrated, outcome-focused foreign assistance, the U.S. can increase the impact of its aid dollars, achieve meaningful improvements in education access and quality as part of national education plans, and simultaneously build national and local capacity so that countries can drive quality education for all.

INTRODUCTION

THERE IS ENORMOUS PUBLIC SUPPORT IN THE U.S. AND ABROAD FOR BOLD ACTION ON BASIC education in developing countries. When children complete a basic education of good quality, health indicators improve, agricultural productivity increases, and more and more children are prepared for the secondary and higher education that are essential for economic growth. Yet, with the target date for achieving the global goal of universal access to primary education only seven years away, more than 72 million children are not in primary school. Financial barriers — official school fees and other out-of-pocket cash costs to families — still keep out millions, especially girls, poor children, and AIDS orphans.

Abolishing school fees is the first and absolutely necessary step to increasing enrollment and ensuring gender parity. However, more than just abolition of school fees is needed. Poor countries require an increase in resources so that they can scale up their education systems to serve the millions more children who will come to the classroom once school fees are removed, as well as the millions of children already in resource-starved schools that fail to provide an adequate education.

In response to these challenges, aid to basic education has been a global priority since the Jomtien Education for All (EFA) Conference in 1991. International collaboration has been established through the UNESCO-coordinated EFA Program and the Fast Track Initiative (FTI) managed by the World Bank.¹ The Organization for Economic Coordination and Development (OECD) monitors and seeks to coordinate aid on behalf of its member countries. Governments are spending more on basic education, and international aid for basic education has grown from an annual average of \$2.75 billion in 1998-2000 to \$4.4 billion in 2001-2005. Progress has been made toward universal enrollment and gender equity in many developing countries.² Parents, too, are spending more on basic education as more children enroll and stay in school longer; although school fees are being reduced, poor parents continue to struggle with the additional costs of uniforms, books, and materials, and the loss of the child's contributions to family income. But despite additional monetary investments by countries and parents, sub-Saharan Africa, South Asia and Oceania are all lagging against the Millennium Development Goal (MDG) for education.³

The United States has provided a substantial share of the international financial support for basic education. Yet there are significant issues with (1) the way the impact of the assistance is measured, (2) how countries are chosen to receive the assistance, and (3) the level of coordination among U.S. government agencies, and with other donors and host countries, in planning and implementing the assistance. These three issues are discussed in the first section of this paper.

Yet, with the target date for achieving the global goal of universal access to primary education only seven years away, more than 72 million children are not in primary school.

In the second section, options for immediate actions to address these issues are presented. These short-term recommendations include (1) conducting in-depth evaluations of selected programs and examining current evaluation requirements, (2) increasing coordination between on-the-ground representatives of U.S. foreign assistance and host country governments and other donors, and (3) closer U.S. coordination with FTI.

In the third section, alternative models of foreign assistance are examined. If the U.S. shifted in the longer term to these models, this could significantly increase the effectiveness of U.S. assistance for basic education.

SECTION ONE

Issues of Concern in U.S. Assistance for Basic Education

DURING THE PERIOD FY 2001-2006, THE U.S. CONGRESS APPROPRIATED \$2.3 BILLION TO support the expansion and improvement of basic education in developing countries. In 2007, the General Accounting Office (GAO) issued a public report on the use of these funds.⁴ The report, titled “Enhanced Coordination and Better Methods to Assess the Results of U.S. Foreign Assistance for Basic Education” focuses on the U.S. Agency for International Development (USAID), which administered \$2.2 billion of the total \$2.3 billion in aid for basic education during that time. Other agencies funded by Congress included the Departments of State, Labor, and Defense and the Millennium Challenge Corporation.

The straightforward findings of the GAO are well-documented and help clarify the policy framework for U.S. foreign assistance for education.*The analysis in this section is guided by the findings of the GAO study, but highlights the most alarming aspects and, through further investigation, builds on the issues raised in search of options for reform.

The three major issues in USAID assistance for basic education addressed in this section are that: (1) outcomes against objectives have not been well-measured, (2) basic education investments are openly aligned with U.S. foreign policy objectives⁵ which, since 9/11, have emphasized assistance to Muslim nations, and are not necessarily aligned with objectives and indicators of educational need, and (3) collaboration among the U.S. government agencies providing support for basic education is largely nonexistent, and poor coordination with other donors and with national governments results in missed opportunities to make best use of U.S. resources.

Issue One: Evaluation

The impact of USAID assistance for basic education remains largely unknown due to a dearth of monitoring and evaluation data.

*GAO’s main findings: USAID’s basic education investments are openly aligned with U.S. foreign policy objectives; improving education quality, a major USAID objective, is not being measured; and collaboration among U.S. agencies administering basic education funds is largely absent.

USAID's 2005 basic education strategy has three objectives: (1) increase access to basic education, (2) improve the quality of basic education, and (3) build the institutional capacity of host country basic education systems. The GAO report points out that quality outcomes go unmeasured; and in fact, this research finds that none of these goals are consistently tracked, measured, or reported. Neither the GAO report nor the USAID public website provides systematic information on the contribution of U.S.-assisted projects to achieving educational or strategic objectives.⁶ In fact, USAID's 2001 review of its own evaluation programs found that the number of evaluations submitted had fallen from 529 in 1994 to 79 in 2001.⁷

Yet the achievement of strategic education objectives can be measured:

Access: USAID, like other donors, can use national and international statistics to monitor and report on national improvements in access to basic education. In addition, USAID has financed the development of education statistics on a sub-national basis. But statistics rarely reflect USAID's project assistance to a specific sub-set of a nation's schools. Access may improve year-to-year in Guinea or in El Salvador, but how USAID-assisted schools are doing relative to others is rarely systematically measured or reported.⁸

Quality: The quality of education can be measured in several ways. The percentage of students completing basic education (the "completion rate") reflects the holding power of school, and thus indirectly, parent and student views on the quality and value of the school experience.⁹ A second indicator is the amount of money spent annually per student on the *inputs* to quality, such as textbooks and other learning materials; smaller classes; teacher salaries, education, and training; and educational testing. The prime indicator is the impact of education reform and change on student learning achievement. USAID does not systematically and publicly report the impact of its education assistance on any of these indicators of quality.

Institutional Capacity: It can be difficult to gauge institutional capacity but there are useful indicators and assessment measures. These include timeliness of service delivery, performance within budget, and client opinions of service quality. While USAID applies some of these indicators and measures to assess the performance of U.S. contractors that provide educational services in host countries, it does not regularly use them — or require its contractors to use them — to report on the host countries' educational institutions themselves. In addition, the indicators employed by the World Bank and other agencies to measure government effectiveness and other characteristics of good governance could also be used to assess the performance of basic education systems, if USAID chose to do so.

To repeat, USAID does not systematically report data on access, quality, or institutional capacity indicators for basic education. The GAO does report that USAID is developing a learning achievement test to use across countries, but international experience with such tests for secondary education shows that this is a technically challenging, expensive, and time-consuming task. Data on all of the indicators outlined above could be collected and reported if Congress directed USAID to do so. This would not only support improving and expanding basic education globally, it would also assist the U.S. in tracking the effectiveness of investments in basic education for foreign policy objectives.

Issue Two: Country Selection

USAID's foreign policy-driven priorities have clearly affected the allocation of financial assistance for basic education. Support for basic education is expected to contribute to foreign policy goals by "promoting democracy and reform in the Muslim world."¹⁰ As a result,

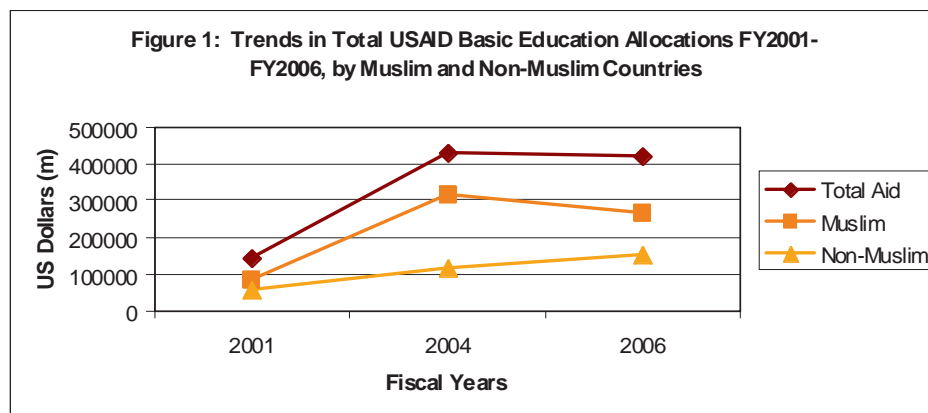
The impact of USAID assistance for basic education remains largely unknown due to a dearth of evaluation and monitoring data.

USAID gives five times more funding, on a per capita basis, to Muslim countries, which, on average, are less poor or educationally deprived than non-Muslim countries receiving U.S. assistance.

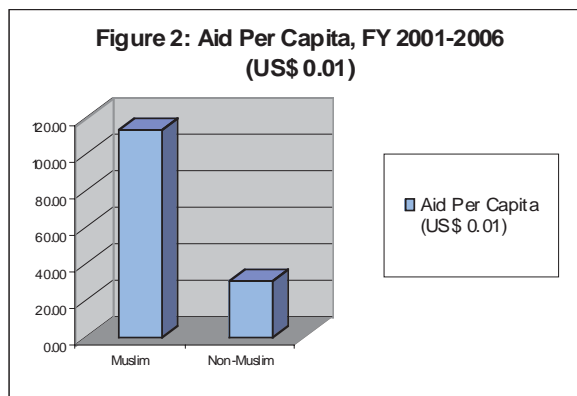
USAID chooses countries based on ideological, security, and geopolitical factors rather than a country's educational need or political will to prioritize basic education. This is evidenced by the fact that USAID gives five times more funding, on a per capita basis, to Muslim countries, which, on average, are less poor or educationally deprived than non-Muslim countries receiving U.S. assistance.

While it is important to ensure that geopolitically strategic countries are given adequate support to strengthen their basic education systems, the main incentive for that aid should be results-based efforts to achieve educational targets, rather than economically, ideologically, or politically-driven aims that do not prioritize the learning outcomes of children.

In FY 2001-2006, USAID disbursed \$1.8 billion of \$2.2 billion of its total congressional appropriations for basic education as country project aid. Sixty-five percent of the country assistance was provided to 25 countries where more than fifty percent of the population is Muslim. The balance — 35 percent — was provided to 35 non-Muslim countries (Figure 1), despite their greater proportion of out-of-school children and, on average, stronger political will to achieve education for all.

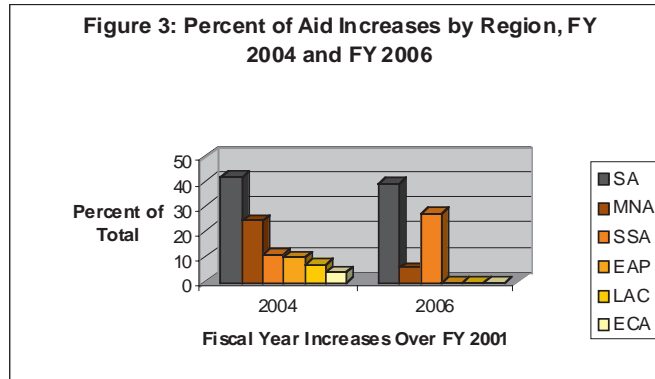


Total annual USAID country assistance for basic education grew from \$145 million in FY 2001 to \$435 million in FY 2004 and \$420 million in FY 2006, nearly a 300 percent increase.¹¹ In line with U.S. geopolitical priorities, the largest share of the increase went to Muslim countries. Average USAID basic education per capita aid during this period was \$1.14 in Muslim countries and \$0.21 in non-Muslim countries (Figure 2).¹²



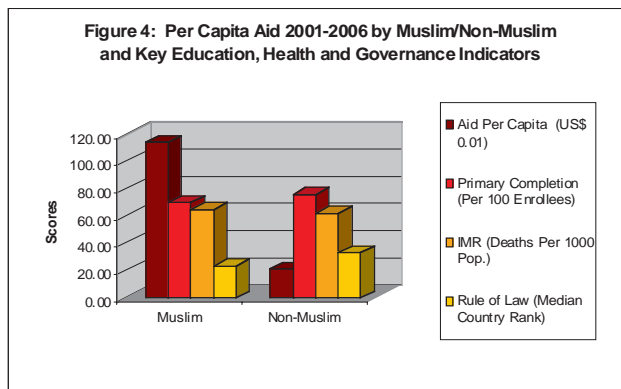
Of the 2004 allocation of increased aid, nearly 60 percent established new projects in strategic states: Pakistan and India in South Asia (SA), Afghanistan, Iraq, Jordan, and Turkey

in the Middle East and North Africa (MNA), Senegal and Sudan in sub-Saharan Africa (SSA), and Indonesia in East Asia and the Pacific (EAP).



While in FY 2006, the increased allocations were changed to achieve somewhat more balance in the regional portfolios, priority continued to be given to countries aligned with U.S. geopolitical interests (Figure 3). Basic education aid to sub-Saharan Africa increased by \$44 million, rising from 11 to 28 percent of increased aid. In the same period, funding for Afghanistan was reduced by \$54 million, and the elimination of funding for Iraq in FY 2006 freed \$110 million. However, these savings were reallocated to Egypt, Indonesia, Jordan, Pakistan, and Senegal, maintaining the overall strategic funding priority.

This portfolio of strategically-selected countries may receive much higher per capita aid than non-Muslim countries, but they have the same average primary school completion rates (PCR) and infant mortality rates (IMR). Clearly Muslim countries have not been given priority in aid allocation because of comparatively slower progress against key education or health indicators. However, on average, Muslim states do rate lower on the quality of governance (Figure 4).¹³ A lower governance rating is quite consistent with the U.S. strategic foreign policy objectives to build democracy in countries with the greatest need. It should be noted that the impact of education on democracy can be difficult to directly track and often takes a generation or more to achieve.



In sum, Congress has substantially increased U.S. assistance for basic education, and USAID has done a good job of allocating these funds to support strategic foreign policy objectives. Per capita aid allocations thus favor geopolitically and ideologically selected countries, although these investments are not aligned with relative education or health needs. Whether it is acceptable to target aid dollars this way is up for debate. What is significant, however, is that by aligning basic education investments so strongly with foreign

By aligning basic education investments so strongly with foreign policy and security goals, the U.S. is failing to achieve its shared global mandate to alleviate poverty by improving learning in the poorest countries.

policy and security goals, the U.S. is failing to achieve its shared global mandate to alleviate poverty by improving learning in the poorest countries. In addition, a recent Oxfam America report contends, when aid is tied to security concerns, the aid flows continue as long as the host country remains aligned with U.S. strategic foreign policy objectives, resulting in less accountability and tracking of results and, therefore, less effective assistance.¹⁴

Issue Three: Coordination

The GAO report suggests that better coordination among U.S. agencies could improve the use of U.S. basic education resources, and perhaps make the U.S. government appear more effective in the eyes of country leaders. In addition, the GAO report points out that USAID coordination with host countries has not been consistent or predictable. This second finding is related to a fundamental problem in the structure of U.S. foreign assistance for basic education: virtually all of USAID's country assistance for basic education is delivered through stand-alone projects that are not well-integrated into national education plans; in turn, this results in less effective U.S. foreign assistance.

USAID's stand-alone projects are managed by U.S. expatriates most often located in facilities outside the national or local Ministry of Education offices. Projects operate on separate bank accounts that are not part of the government's budgets or financial management processes. They are expected to last for three, five, or even seven years, but the amount of funding actually available for country activities varies widely from year to year as U.S. government and USAID budgets change. Not politically or financially accountable for the expenditures or outcomes of such projects, host government authorities, teachers, parents, and students are passive beneficiaries rather than active stakeholders. This makes it far less likely that even effective pilot efforts will be taken to scale by national or state governments.

Following congressional directives, USAID designs the basic education projects, runs the procurements, selects the contractors, and supervises and monitors contractor performance and expenditures. Contractors provide a range of services: they design new projects, provide technical assistance, procure equipment and books, oversee contracts for school construction, administer grants to local NGOs for basic education services, prepare project plans and updates, and report regularly on expenditures. Adding yet another layer, contractors increasingly sub-contract with and manage other U.S. organizations as part of large consortia, under broad umbrella agreements with USAID.¹⁵ By so doing, they augment USAID management capacity by carrying out project design and contracting tasks once done by USAID staff. The autonomy of USAID basic education projects often reduces U.S. coordination with the host government and other donors while complex subcontracting agreements additionally hamper coordination.

Motivation and commitment from local to national levels in host countries for the planned outcomes and activities of projects are further reduced by the U.S. requirement that the bulk of project funds be spent on American goods and services.¹⁶ This is often called tied aid, and under this approach, countries do not receive U.S. funds to implement their basic education programs, but rather U.S. experts, consultants, and equipment.

The type of aid described above is generally justified by the belief that countries lack the capacity to set development priorities, to plan and manage programs and resources, and to prevent public corruption. Ensuring that U.S. organizations are responsible for managing, expending, and accounting for funds no doubt helps ensure that those funds are spent as planned. The U.S. non-profit and for-profit development education communities, of

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course, benefit from and have successfully lobbied for budget earmarks that support financing for such projects.¹⁷

But managed this way, aid is delivered and accounted for outside of national budgets and, too often, outside of basic education plans in developing countries. Education ministries are not as accountable for USAID project results as they are for programs and projects financed through the national budget and, in ideal cases, scrutinized by national parliaments. While USAID projects are often linked with national education plans, they also support USAID's own interventions and solutions, among them: educational radio, school improvement planning, and community reports on school quality. These are well-developed educational practices but too often are imposed on countries that prefer other options.¹⁸

Although this use of tied project aid is often justified by "weak government capacity," the model itself results in weak government capacity building. Country performance is unlikely to be improved by funneling the majority of capacity-building training, funding, and on-the-job experience to enclaves of USAID and U.S. contractor personnel, bypassing host country educators and leaders who work in the systems, speak the languages, know local contexts, have social and political accountability for their performance, and will be on the job long after contract staff return home.

Moreover, U.S. tied aid actually buys less simply because American prices are higher than those in developing countries. A senior staff member for a U.S. contractor in a developing country may receive as much as \$200,000 annually in salary and benefits, including housing, education, and home leave allowances. Her contractor employer will charge USAID \$100,000 more in overhead and additional direct costs, totaling \$300,000. In contrast, her local counterpart in a middle-income country such as Jordan may earn a total of \$30,000 per year; and a colleague in low-income Ethiopia, \$3,000. In other words, the cost of one year of training and on-the-job experience for a U.S. staff person could buy ten years of capacity building in Jordan and a hundred years of capacity building in Ethiopia.¹⁹

It is generally agreed that education development is more effective and more sustainable when countries have strong ownership of policies and programs and do the work themselves. When aid is tied and provided through the project model, even when national and local education leaders are in the driver's seat, they are "chauffeurs for foreign development officials."²⁰ A more integrated approach to U.S. foreign assistance is needed. Other major donors have moved in this direction, but the U.S. lags behind, committing more than 90 percent of basic education funds through stand-alone projects.²¹

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SECTION TWO

Immediate Actions to Improve U.S. Assistance for Basic Education

THE GAO REPORT AND OUR SUBSEQUENT ANALYSIS DEMONSTRATE THE NEED FOR REFORM IN USAID's foreign assistance for basic education. Fundamental changes are necessary to address the practice of selecting countries for basic education assistance on the basis of

strategic foreign policy objectives rather than need, and a move toward more outcome-based integrated aid is critical (and discussed in section three of this paper). While these and other highly desirable reforms are being considered, aid effectiveness can also be substantially increased through immediate concrete steps, including: (1) improve evaluation, (2) improve coordination for more effective country partnerships, and (3) bridge the gap between USAID and the Fast Track Initiative (FTI). This section lays out these three recommendations, and the appendix explores potential countries in which to implement each.

Recommendation One: Improve Evaluation

U.S. assistance for basic education should have as its core principle the setting and tracking of key, globally agreed-upon education targets, including the number and percentages of children of the correct age who enter and stay in school, measures of learning achievement, and average annual costs per student. Data on these indicators are essential to establishing any relationship between educational investments and outcomes. This would improve allocation of funds and project impact and strengthen the knowledge base for Congress and USAID alike for longer term policy reform for basic education assistance. Congress and the public deserve more than the occasional “success story” on a USAID website. USAID should be directed and funded to require good evaluations that systematically measure outcomes and costs for all of its basic education investments. Specific steps in this direction could include:

Commission independent country evaluations: A first step toward filling the evaluation gap could be to carry out thorough evaluations of long-term, large-scale USAID project assistance in specific countries. Such evaluations would cover the history, objectives, scope, costs, and outcomes of USAID basic education projects. Other donor programs for basic education in these countries would be identified and donor collaboration assessed. The evaluations would identify patterns of action that improve outcomes, as well as less welcome patterns that reduce the efficiency and impact of aid. Because USAID evaluation and data collection efforts have been sporadic and rely heavily on contractors, the proposed evaluations would need to go beyond desk analysis to include consultations with government leaders, officials, teachers, and parents. Work in country would thus be essential.

Assess evaluation and reporting requirements: The considerable decline in the quality and quantity of evaluations at USAID must be changed. A good approach would be to assess USAID’s current evaluation methods and procedures against standards of best practice. This assessment would be most valuable if it covered USAID’s development evaluation practice broadly, not just that for basic education. A committee of independent experts, perhaps organized by the National Research Council, could be appointed to assess USAID’s evaluation requirements and procedures against the economic, social, and technical standards recommended by evaluation professionals and against practices of selected OECD donors. A report from the committee should outline options and notional costs for improving USAID’s evaluation standards and procedures so that Congress and the public would have much improved information for decision-making.

Recommendation Two: Improve Coordination

The U.S. remains the last major donor to provide the bulk of its overall development assistance, including for basic education, through autonomous projects. These projects mostly finance U.S. consultants, equipment, materials, and substantial overheads to contractors — all at U.S. prices. USAID contractors even design many basic education projects under

USAID should be directed and funded to require good evaluations that systematically measure outcomes and costs for all of its basic education investments.

cooperative agreements with USAID, which is reminiscent of the “fox in the henhouse.” These projects are operated outside of government budgets and thus at a distance (financially and physically) from national legislative oversight and from collaborative government and donor action.

There are several ways for USAID to improve coordination with host countries and donors at the margin through feasible changes in how project aid is provided:

Co-locate projects with Ministries: Encourage Ministries of Education to locate USAID contractor project teams in ministry buildings, with contractors paying rent.

Report through government on contractor performance: Establish a regular reporting system through which monthly contractor activity and expenditure reports are reviewed by the Ministries of Education and Finance, who would have the further option of communicating directly with senior USAID officials in Washington, DC.

Plan for succession to country management: Require that proposals from prospective contractors include a) a plan and budget for co-location within appropriate government offices, b) a succession plan showing how and when national experts will assume project leadership, and c) an endorsement from the government that the proposed project will fit with national basic education strategy.

Seek donor views on project performance: Through governments, seek regular opinions on project performance from other donors actively supporting the governments’ plans.

These same principles could be applied to the smaller basic education programs now administered by other U.S. government agencies. This could improve collaboration among U.S. organizations where it matters most: within the framework of a host government-led coalition of donors for basic education.

Recommendation Three: Bridge the Gap between USAID and FTI

The Fast Track Initiative (FTI) is a global partnership between donors and developing countries. Developing countries are responsible for crafting national education plans, with budget accountability and greater investment of political and financial resources, and donor nations commit to providing the additional technical know-how and funding required to ensure that no developing nation — that meets its obligations — fails in its basic education plan for lack of resources or technical capacity. Through FTI, all involved partner countries and agencies coordinate at both national and international levels to ensure greater donor harmonization, knowledge sharing, and resource mobilization.

In moving away from direct management of tied resources, donors are creating space and incentives for national and local leaders to step forward and assume responsibility and accountability for basic education outcomes and financing. With donor staff working collaboratively under government leadership, and contractor technical staff and consultants diminishing in number and reporting primarily to national and local officials, the country’s own experts take charge of important technical and professional areas such as school construction, curriculum development, and teacher education and training. In this transition, donors can and do play key roles in strengthening the technical and managerial capacity of the country’s educational institutions as they assume more central roles.

In addition, FTI reduces the heavy burden on Ministries of coordinating multiple independent donors, all with their own agendas, staff, and burdensome reporting requirements.²² By gradually integrating aid with host country procurement and financial man-

In moving away from direct management of tied resources, donors are creating space and incentives for national and local leaders to step forward and assume responsibility and accountability for basic education outcomes and financing.

agement systems, these approaches build national accountability and capacity. Government leadership of the partnerships opens access to local organizations and initiatives that independent donors would find difficult to achieve on their own (Box 1).

Box 1: FTI at Work: Real Responsibility to Local Communities in Kenya

Kenya has established two successful schemes that give direct responsibility to local primary school committees for decisions, one for textbook purchases and the other for general requirements. Over 18,000 primary schools receive per capita grants and have committees in charge of operating bank accounts and making real decisions on the disbursement of these funds. In the Schools Instructional Materials and Book Account (SIMBA), the committees select the required textbooks from a pre-determined list and identify the suppliers. In the General Purposes Account, the committees prioritize the school's most pressing needs and contract for the services and materials they require, such as the hiring of ancillary staff. The system is transparent, with committees posting the amounts in the fund and how they have been utilized on the outside wall of the school. Audits have shown that the schemes are functioning with a high level of probity and there is a real sense of grassroots ownership. Indeed, it is reported that due to its success, communities are requesting that similar schemes be established in the health sector.

Source: Quality Education for All Children: Meeting the Challenge. Fast Track Initiative 2007 Annual Report.

A consistent policy supporting participation with FTI at the country level would go a long way toward improving coordination with the donor community and the effectiveness of both USAID and FTI support for governments.

While a large number of OECD countries now contribute their basic education financing through FTI to support government programs, the U.S. persists in funding autonomous projects that parallel the investments of governments and other donors — even in FTI endorsed and financed countries. The U.S. government does not now contribute to either of the Fast Track Initiative's two funds: 1) The Catalytic Fund, which has disbursed \$218 million to 18 countries for the implementation of FTI-endorsed education sector plans, and 2) The Education Program Development Fund, which has allocated about \$32 million to help countries prepare education plans (including the necessary underpinning analyses), to build capacity and to strengthen donor coordination.

The level of coordination between USAID and FTI at the country level is not known with much precision, but it varies substantially across countries. In some countries, the U.S. is only an occasional guest when governments and FTI donors discuss policy, strategy, budget, and financing needs. In others, USAID participates more effectively; but when this happens, it is by government leadership and local USAID staff initiative rather than U.S. government policy.

The Madagascar case (Box 2) shows how coordination between USAID and FTI can be improved with strong government leadership and USAID flexibility. Nevertheless, there is some distance to travel before USAID can become a true FTI partner. The United States appears in the 2007 FTI Annual Report only in tables showing that it falls in the middle ranks of donors for basic education and in the lower ranks according to basic education Overseas Development Assistance (ODA) as a share of gross national income.²³ This indicates that the U.S. is not very much present in the major international partnership for basic education.

A consistent policy supporting participation with FTI at the country level would go a long way toward improving coordination with the donor community and the effectiveness of both USAID and FTI support for governments. However, by providing the largest share of

money to politically strategic states regardless of relative economic or educational poverty²⁴ and limiting coordination with other donors and recipient countries through its tied project model, the U.S. political agenda outweighs both development partnerships and the achievement of the global goal of universal access to quality basic education by 2015.

A major reason for low levels of U.S. participation is that, following congressional directives, USAID continues to “tie” aid to procurement of U.S. goods and services. This is clearly inconsistent with the FTI integrated approach, which builds the capacity of governments for financial management and procurement along with the capacity for education development and management, while providing funding directly to governments based on agreed objectives, outcomes, and programs. In the past, even USAID has experimented with more integrated models of aid with good success as measured by its own evaluations.

In the past, even USAID has experimented with more integrated models of aid with good success as measured by its own evaluations.

Box 2: Government Ownership of Reform in Madagascar: USAID Joins In

Madagascar is one of the world’s poorest countries. Over the past decade it has struggled, with considerable success, to double enrollments in primary education. Multiple donors have supported this effort. With endorsement by the Fast Track Initiative (FTI) in 2005, Madagascar is now seeking to bring all international donors into a unified financing and action framework that has been endorsed by the FTI donors. This very strong move by the government rests in large part on the uneven progress made so far by multiple and independent donor financed projects for classroom construction, teacher training, learning materials production, and pilot projects for innovations. Norway, Sweden, the UK, France, the World Bank, and the African Development Bank have agreed to work more collaboratively. Through a centrally administered program based in Washington, D.C, USAID has been financing two independent small pilot projects for 25 of Madagascar’s 23,000 primary junior secondary schools. At the urging of the Minister of Education, USAID staff have participated actively in FTI meetings and have provided comments and suggestions for the new 2007 FTI Plan. It remains to be seen if USAID’s tied project financing arrangements will change to give the government a larger say, but collaboration at the professional level is well established.

Source: Consultations with senior officials of the Ministry of Education and National Scientific Research, Antananarivo, January 2008.

FTI continues to need financial contributions. The U.S. Congress would like to improve aid effectiveness and improve U.S. leadership internationally. Both measures should accompany, if not precede, expanded financial support for basic education. Given all of this, Congress can consider the following options:

Contribute to FTI program development: Authorize a U.S. contribution to the FTI Education Program Development Fund (in the \$25 million range) in order to become an FTI partner with the benefits of FTI knowledge and the opportunity to influence donor policy.

Explore longer term FTI participation: Enter into exploratory discussions with the FTI secretariat and donors to the Catalytic Fund on the possibility of U.S. participation through models of sector-wide financing that would integrate U.S. foreign assistance but, initially, fall short of committing untied funds through the FTI.

Plan for FTI participation: Identify selected countries that are to be endorsed by the FTI in 2008 or 2009 or that are currently eligible for FTI. Direct USAID to participate as an FTI partner in the preparation and planning of FTI programs for these countries, and,

depending on the outcomes of the planning process, authorize integrated sector financing for one or more of them. Funding could come from an expanded authorization for basic education or, if this is not possible, by re-directing current USAID resources as current country programs draw to a close.²⁵

SECTION THREE

Moving to Need-Based Integrated Foreign Assistance

IN ADDITION TO THE SUGGESTIONS FROM THE PREVIOUS SECTION, CONGRESS SHOULD CONSIDER major structural changes to U.S. foreign assistance that base aid on country need as documented by indicators of education quality and efficiency, encourage and enable more effective investment in building country capacity to achieve country-led programs and outcomes, and join the U.S. with the majority of bilateral donors who are actively committed to integrating aid with country program plans. Selecting countries to receive basic education assistance on the basis of need should also be a primary objective of reforms, regardless of financing modality. Aid effectiveness depends in a large part on putting the money where the problems are greatest. Working through FTI would not only promise an increase in aid effectiveness, it would also support an increase in allocations by country need because FTI country selection criteria are based on technical and financial need. FTI offers one important option for providing integrated aid. The broader context is discussed below (see box 3).

The new models of integrated aid have been designed to remedy the flaws identified from six decades of tied project aid, and have been well-accepted by developing and donor country leaders alike.

Box 3: What Would More Integrated Aid Look Like?

A more integrated approach would go a long way to mitigate the shortfalls of U.S. foreign assistance. Such an approach includes:

1. Moving definitively away from the project model of tied aid toward aid that is more closely integrated with host countries' own priority policies and programs, through investments in national and sectoral budgets and also through more closely coordinated parallel investments in projects and programs.
2. If using the project model of aid, an emphasis on capacity-building through investing directly in local partners and closely coordinating with host governments at every phase of the project.
3. Long-term financial commitments, in recognition of the disruptive role of volatile and unpredictable aid.

The donor movement to provide more integrated aid through national and sector budgets was established by a global agreement in Paris in 2005, with the OECD monitoring international progress.²⁶ The new models of integrated aid have been designed to remedy the flaws identified from six decades of tied project aid, and have been well-accepted by developing and donor country leaders alike. They have already generated much higher levels of country and donor collaboration in program design and monitoring, and, in contrast to development assistance in the 20th century, there is now a fighting chance that countries

and donors will be able to learn from experience and improve the new aid models going forward. Already, the results of this recent shift are encouraging, but it is also clear that there is some distance to go to fully realize the promise of integrated foreign assistance.

Integrated foreign assistance promises the following benefits:²⁷

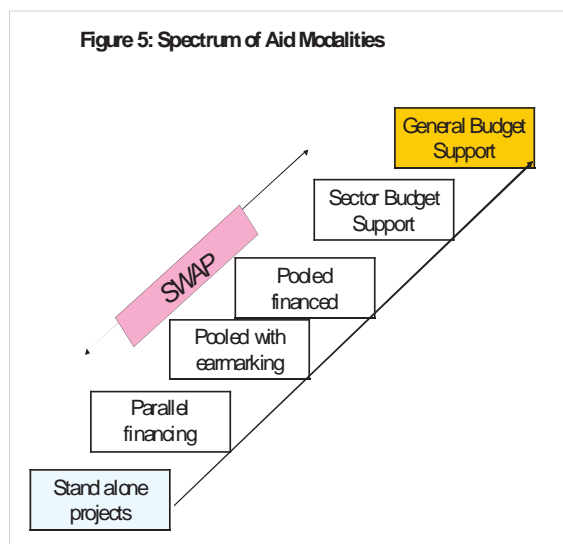
- Greater country ownership, systems, and capacity.
- Recognition of the disruptive role of volatile and unpredictable aid.
- Greater selectivity in favor of well-performing countries.
- Enhanced focus on results.
- More strategic use of increasing levels of development assistance to support effective, long-term, national programs.
- Lower costs to donors.

These benefits, if achieved, would go far to offsetting the weaknesses identified in the current U.S. approach of tied aid implemented through enclave projects.

For the U.S. and indeed for most donor countries, projects remain a viable model for circumstances of very weak government capacity, such as in failed or just recovering states. However, even then tied project aid should focus on building national and local government capacity for effective and transparent program and financial management rather than just a perpetual continuation of the project model.

Alternative Models of Foreign Assistance

There are a number of models of integrated foreign assistance (Figure 5).²⁸ Under General Budget Support (GBS), donor funds are provided to the government to spend using the government's own planning, budgeting, procurement, and financial management systems. Conditions in the aid agreement focus on overall budget priorities and execution. Sector-Wide Approaches (SWAs) provide donor financing through the government budget to support the development of a sector, such as education, health, or the environment.



Conditions in aid agreements relate to sector policies, financial management system capacity and effectiveness, and performance against sector indicators. Host government control and accountability increase as countries move up the spectrum from stand-alone projects

to GBS. Stand-alone projects fall at the lowest end because of their isolation from country government control and accountability.

In practice, SWApS often provide steps for donors and governments to take in moving toward increasingly integrated aid. All SWAp models feature government ownership and accountability, partnership with donors, and agreed-upon sector policies and strategies. In Parallel Financing, donors provide coordinated but separate funding for activities or projects in the government program. Pooled Funding with Earmarking represents deeper coordination, with some donors providing funding to the sector program as a whole, and others financing specific lines in the sector program budget, such as school construction or teacher training. Under Pooled Financing arrangements, all donors deposit their funds in a common fund that is replenished based on government performance. Through a Sector Budget Support model, donors disburse funds into a pooled account managed by the government to support the budget of the agreed-upon sector. There are, in practice, variations and combinations among these models (Box 4).

Box 4: European Commission Innovative Budget Support Model

The European Commission has developed an innovative mixed model combining fixed budget support with additional variable support that depends on progress against indicators of public service delivery and poverty reduction. The fixed budget support provides budget stability and predictability, which in turn enhances capacity building in financial management; the variable support provides incentives to governments to achieve development targets. The EC model avoids an “all or nothing” approach and adjusts total support to partial performance.

Source: Koeberle, Stefan, Jan Walliser, and Zoran Stavreski. Budget Support as More Effective Aid? Recent Experience and Emerging Lessons. World Bank, 2006.

There is general agreement that the effectiveness of SWApS increases along with improvements in country capacity in a number of areas, including: financial management and procurement, policy development, leadership of the donor community, and program design, management, and monitoring. Competencies of this kind are built on strong national plans with clear targets and regular monitoring, and grown most effectively through organizational responsibility and on-the-job experience bolstered by training. Donors recognize that capacity building can go hand-in-hand with budget support. India’s decade of experience in building capacity to manage donor assistance for basic education shows how governments can build capacity, even in complex political and cultural contexts (Box 5).

Box 5: Organizing to Take Leadership: The India Experience

Throughout the 1990s, the Indian government established an innovative and effective partnership with donors for the expansion and improvement of basic education. Beginning with project aid, the government quickly led donors to a budget support model that, in many ways, anticipated the Sector-Wide Approaches that were later adopted more widely. The government credits the European Commission for this new approach to development partnership. Within 10 years, the Indian approach mobilized \$3 billion in external assistance and substantially improved access for girls and the poor to quality basic education.

*Donors
recognize that
capacity
building can go
hand-in-hand
with budget
support.*

The key elements of the approach were:

- Establishing coherent policies and consensus on basic education between the Indian government and India's 28 states and seven territories.
- Building the capacity of the central and state governments to develop and implement programs.
- Establishing Indian government leadership among donor partners through program performance and negotiation skills.
- Ensuring that baseline research, project design, preparation, appraisal, and evaluation, as well as program supervision were carried out by Indian experts in partnership with donor staff at the beginning, and solely by Indian experts in the later stages.
- Not accepting any foreign consultants for any purpose.

Perhaps above all, the Indian government was determined to do the work, learn from mistakes, share these lessons transparently, and constantly improve program processes over time.

Source: Ayyar, R. Vaidyanaytha. Organizing to Take Leadership: The Experience of India. Presented to the Capacity Development Workshop: Country Leadership and Implementation for Results in the EFA/FTI Partnership. Cape Town: Fast Track Initiative, July 16-19, 2007.

Since then, all but one member have moved substantially in that direction. The U.S. is that one member.

The U.S. and Alternative Models of Foreign Assistance

Under the Paris agreement, all of the bilateral donors that belong to the OECD Development Assistance Committee (DAC), including the U.S., committed to using alternative models of aid that do not exclusively tie aid to the procurement of their own services and commodities. Since then, all but one member have moved substantially in that direction. The U.S. is that one member.

As the 2006 DAC report shows, the U.S. lags far behind, with more than 95 percent of its development aid still tied.²⁹ The U.S. government has disputed these figures, claiming that aid in the form of NGO grants that are open for worldwide competition should be counted as untied.³⁰ Publicly available data indicate that while these grants may benefit developing country NGOs, they continue to be administered technically and financially by U.S. organizations and should thus be counted as tied aid.³¹ Most telling, if one looks at the list of Private Voluntary Organizations (PVOs) registered with USAID and, therefore, the only ones eligible for funding, there are 535 U.S.-based PVOs and only 68 international PVOs. Moreover, of the 68 international PVOs, 59 are from Europe, four from Canada, two from Australia, two from Japan, and one from South Africa.³² Given all of this, the U.S. claim to be doing a better job of supporting countries with untied aid is weak: organizations from the U.S. and other developed countries continue to control the funds.

Congressional “earmarks”, which specify how an agency will use portions of a budget appropriation, are a major U.S. budget mechanism. When earmarks reinforce a broad policy priority (such as reducing poverty, addressing major global disease burdens, or supporting basic education) or target resources strategically (such as improving learning outcomes in primary schools) they provide important strategic guidance. Faced with less than optimally effective foreign assistance programs, congressional earmarks have provided direction and helped secure more results-focused aid efforts. However, excessive congressional restrictions on the use of budget resources can be problematic. A peer review of U.S. foreign assistance conducted by the OECD in 2006 found that “one of the biggest constraints

USAID's project model of tied aid is profoundly limiting the impact of U.S. foreign assistance.

undermining the effectiveness of U.S. aid programs is the totality of binding congressional earmarks, directives, and oversight restrictions which prevent the U.S. from using developing country management and procurement systems.” The report also addresses the cumbersome reporting mechanisms that have evolved, resulting often in duplicative and inefficient monitoring of progress.³³ Unfortunately, all this cumbersome reporting does not result in systemic, robust measurements of the impact of aid, as discussed earlier. Congress has a key role to play in helping take forward an aid reform agenda, including implementing a new level of frequent and reliable evaluation reporting on results that provides effective tracking of impact while simplifying reporting requirements.

Although tied project aid remains the main model of assistance, USAID has experimented with GBS and SWAs. Based on USAID experiences in six countries and that of other donors, a 2006 USAID evaluation concluded that program assistance could be a useful tool with appropriate justifications. Weak government capacity and the accompanying danger of corruption are cited as risks, but in keeping with general OECD practice, it is recommended that where government capacity is weak, USAID and other donors should seek to strengthen government fiduciary and financial management systems rather than completely bypass country governments, as is too frequently the case with U.S. foreign assistance.³⁴

USAID's project model of tied aid is profoundly limiting the impact of U.S. foreign assistance. While it is to some extent encouraging that USAID has experimented with more integrated forms of aid, the U.S. is still far behind the rest of the developed and developing world. Both tied project aid and integrated foreign assistance have their benefits and risks. Tied project aid has the benefit of the financial accountability of U.S. contractors, but also the risks of weak government ownership, low levels of capacity building for host country organizations, and little attention to sustaining results as projects end. It also may fairly be said to perpetuate the perception in developing countries that the U.S. seeks to control more than to help. In moving toward more integrated aid, there are certainly challenges and risks with varying levels of government capacity and varying quality of financial monitoring. However, integrated foreign assistance promises short- and long-term benefits that counter the weaknesses of tied project aid, including building national capacity and investing in national priorities. Moreover, when linked to strong national targets and effective monitoring, integrated aid can help increase government accountability for national progress in education.

CONCLUSION

The Future of U.S. Foreign Assistance for Basic Education

WHEN IT COMES TO THE FUTURE OF U.S. FOREIGN ASSISTANCE FOR BASIC EDUCATION, THE choice for the U.S. government broadly, and for Congress in particular, is to decide what risks to take. Should the U.S. keep things as they are, with developing countries as dependent clients, program impact untracked and likely quite limited, often significant overhead costs, a weak U.S. role in international donor collaboration, but a high “comfort level” with U.S. technical partners and reporting capacity? Or rather, should the U.S.

move toward more integrated foreign assistance based on country need in a measured way, risking the challenges of countries' varying capacity and transparency, but, quite possibly, vastly improving the effectiveness and outcomes of aid?

This paper argues for taking on the risks of integrated foreign assistance, while working to minimize those risks. This is the best way to build country capacity and to walk the talk of trust and partnership. Many developing countries have a decade or more of experience with Education for All, much of it successful as measured by expanded educational opportunity. Countries are ready to take more technical and managerial responsibility for their own programs and results. If they need technical assistance, they can contract for it, including from successful developing countries where the expertise is most relevant and the prices much lower. Tied project aid should move from being the primary model to being an option for countries in crisis and for failed states; even then, using the project model should require a justification, with capacity building being the highest priority.

The GAO report on U.S. assistance for basic education found that the impact and cost-effectiveness of this assistance is largely untracked and unknown, that USAID allocation of funds to countries is driven by strategic political goals, that collaboration among U.S. agencies is weak, and that U.S. coordination with host country education leaders and other donors varies. The findings of the GAO report are enough on their own to make the case for fundamental changes in how USAID implements and monitors foreign assistance for basic education. This analysis suggests ways in which these changes can be more sharply focused.

All countries and donors want to build national and local capacity in managing basic education. High on the priority list for capacity building is financial and procurement management.³⁵ By moving toward integrated, outcome-focused foreign assistance, the U.S. can increase the impact of its aid dollars, achieve meaningful improvements in education access and quality as part of national education plans, and simultaneously build national and local capacity, including capacity for financial and procurement management.

Finally, the costs of both short-term and long-term reforms must be considered. Cost-savings would be gained over time from moving away from the expensive project aid model. At the same time, there would be transitional costs for structural reform of USAID. The highest costs, however, would be those of a continuing downward spiral in the effectiveness of U.S. assistance for basic education: un-served and poorly educated children, disempowered and disappointed education authorities and staff, and continuing loss of faith in the possibilities of partnerships with the U.S. among developing country citizens.

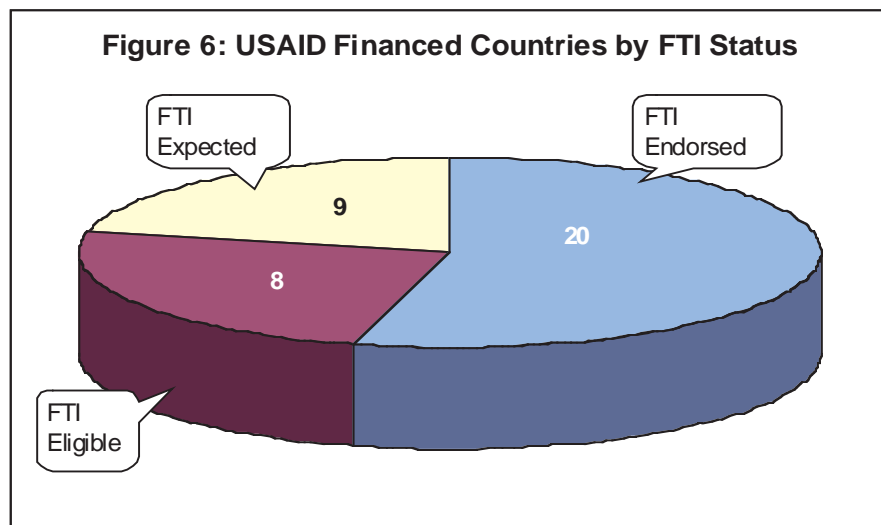
We argue for taking the risks of integrated foreign assistance, while working to minimize those risks.

APPENDIX

Recommended Countries for Immediate Reform

With USAID providing assistance for basic education in some 60 countries, the range of choices for implementing immediate reforms is broad indeed. At the same time, reforms should be highly focused and monitored, which strongly suggests that a more limited number of countries be selected. This annex provides a framework for focusing on a more limited number of countries.

As a first step, this report identifies countries where USAID has provided financing for basic education in the period FY 2001-2006, and where FTI has endorsed the country's EFA plan, expects to do so in 2008-9, or has declared the country eligible for future FTI support (Figure 6). These criteria are chosen on the reasonable assumption that improving coordination between countries and donors is easier where both funding organizations have been or will be working. In total, there are 37 such countries. Apparent from the fact that they are all at some stage of FTI endorsement, the countries also have low or comparatively low primary education completions rates, with the exception of Indonesia. They thus merit strong donor support on educational grounds alone. FTI assessments also show that nearly all of these countries face substantial financing gaps in their efforts to achieve universal access to basic education.



As a second step, we use criteria that help define potential for change in these 37 countries that reduce the total number of countries from 37 to 16 (Table 1).

Category 1 countries have both USAID and FTI funding and have achieved integrated sector financing.

Category 2 countries are jointly funded but are moving towards — although not yet achieved — an integrated financing model; some have made partial progress and others are earlier in the transition.

Category 3 includes countries that (1) have not yet progressed towards integrated financing, (2) have had significant USAID financing (more than \$30 million in the FY 2001-2006 period), and (3) are endorsed, expected to be endorsed, or eligible to be endorsed by FTI by 2009.

Table 1: Selected Countries with Potential for USAID/FTI Collaboration

	Primary Education Completion Rate (World Bank Data)	USAID Financing 2001-2006 (GAO Data)	FTI STATUS ⁱ			Status of Integrated Financing ⁱⁱ
			Year Endorsed by FTI	Allocations 2003-2008 (USD Million)	Financing Gap 2008-2009 (USD Million)	
Category 1						
Ghana	65	59	2004	33	28	Sector
Nicaragua	73	29	2002	24	30	Sector
Rwanda	37	4	2006	70	92	Sector
Category 2						
Benin	65	37	2007	76	160	Partial
Kenya	92	12	2005	121	252	Partial
Madagascar	45	3	2005	50	160	Partial
Mali	44	37	2006	9	50	Transition
Yemen	62	21	2003	40	168	Transition
Category 3						
Ethiopia	51	66	2004	70	164	No
Haiti	n/a	40	2008	0	n/a	No
Indonesia	101	85	Eligible	0	n/a	No
Malawi	58	40	2008	0	n/a	Unknown
Uganda	57	45	2008	0	n/a	Unknown
Pakistan	63	166	Eligible	0	n/a	Unknown
Senegal	45	31	2006	22	26	Unknown
Zambia	66	46	2007	0	n/a	Unknown

ⁱ Data on the financing gaps are drawn principally from two FTI reports: *FTI Catalytic Fund Draft Status Report* (FTI, November 2007) and *Beneficiary Countries Status Report: An Update* (FTI, December 2007). Data on FTI status are drawn from *FTI Annual Report 2007*. Additional data have been provided by FTI Secretariat for the present report.

ⁱⁱ From Results Educational Fund analysis of FTI data and reports — Sector: substantial donor funding through government budget. *Partial*: some donor funding through budget. *Transition*: capacity building underway, donors report intention to move towards sector financing. *No*: No movement toward integrated financing.

Where does it make sense to initiate the recommended immediate reforms?

Reform Recommendation: Improve Evaluation

Countries that have had significant funding from USAID would be candidates for independent evaluations. Since independent evaluations would look at past experience, it would be good to include countries at different stages in moving toward integrated financing. Using U.S.\$30 million as a criterion, all of the countries listed in Table 1 would qualify except Kenya, Madagascar, Rwanda, and Yemen. In particular, USAID's long experience in Ethiopia, Ghana, Nicaragua, Pakistan, Uganda, and Zambia merits the kind of in-depth evaluation that is being recommended.

Reform Recommendation: Improve Coordination

In principle, changes made to improve coordination between countries and donors could be implemented across the USAID portfolio. Practically speaking, it would be useful to test implementation over two or more fiscal years in a select number of countries with established USAID programs, with careful monitoring and reporting on obstacles encountered and successes achieved. It would be equally useful to implement these changes in countries where USAID could both benefit from and contribute to established FTI donor partnerships, in initial stages by improving project aid. Countries where the FTI partnership is working with governments to build the capacity needed to move to more closely integrated financing could provide fruitful ground, possibly including a more enhanced role for USAID in capacity building for financial and program management. Countries in Category 2 fit this profile, with the possible exception of Madagascar where the USAID project aid has recently ceased, leaving Benin, Kenya, Mali, and Yemen.

Reform Recommendation: Bridge the Gap with FTI

Recommendations for collaboration with FTI at the international level (contributing to the Program Development Fund and exploring the potential for stronger collaboration between USAID and FTI) would not be specific to any country. But the U.S. can and should take the more active step of planning for FTI participation at the country level. Countries that have developed capacity to manage integrated financing through FTI (Category 1) are likely to offer the greatest opportunities and smallest risks. These are Ghana and Nicaragua, where USAID has a long and substantial engagement, and Rwanda, where USAID basic education assistance is currently relatively small. All three countries have significant financing gaps.

Countries in Category 2, which have achieved partial integrated financing or are in transition in this direction, would have higher risks; conversely, they would offer USAID an opportunity to engage with the government and donors in the capacity building needed for these countries to continue to move ahead. These countries are: Benin, Kenya, Madagascar, Mali, and Yemen.

If the Congress and USAID really want to get in on the ground floor with countries and with FTI implementation, working with countries in Category 3 would be an option. These are countries that have significant USAID financing and that are endorsed, scheduled to be endorsed by FTI in 2008, or, in the case of Indonesia and Pakistan, eligible for FTI financing. Movement toward integrated financing has yet to begin in these countries, increasing both the risks and the opportunities for U.S. assistance.

ENDNOTES

¹ FTI is a consortium of OECD and multilateral donors that seeks to improve country capacity and aid effectiveness by integrating financial assistance to support country EFA plans and budgets.

² United Nations Educational, Scientific, and Cultural Organization (UNESCO). *EFA Global Monitoring Report 2008. Education for All by 2015: Will We Make It?* Paris: UNESCO Publishing and Oxford University Press, 2007.

³ Consensus has been reached among OECD donors and the United Nations on the Millennium Development Goals (MDGs) as common targets for international development. For progress on MDGs, see United Nations Development Program (UNDP). *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*. Washington, DC: Communications Development Inc., 2005.

⁴ United States, Government Accountability Office (GAO). *Foreign Assistance: Enhanced Coordination and Better Methods to Assess the Results of U.S. International Assistance for Basic Education*. Washington, DC: GAO, 2007. Available at <http://www.gao.gov/cgi-bin/getrpt?GAO-07-523>.

⁵ USAID's strategies are codified in the U.S. Department of State and U.S. Agency for International Development's (USAID) *Strategic Plan: Fiscal Years 2004 to 2009*. Washington, DC: U.S. Department of State and USAID, August 2003. Available at http://www.usaid.gov/policy/budget/state_usaid_strat_plan.pdf.

⁶ DHS Demographic and Health Surveys (available at <http://www.measuredhs.com>) are national sample household surveys supported by USAID. They provide useful information for research and policy, but the information is not related to USAID-assisted projects or interventions.

⁷ Clapp-Wincek, Cynthia and Richard Blue. *Evaluation of Recent USAID Evaluation Experience* (Working Paper No. 320). Washington, DC: Center for Development Information and Evaluation, U.S. Agency for International Development, June 2001.

⁸ Some USAID contractors have measured this (for example, the Academy for Education Development in projects in Central America), but USAID does not collect and report data publicly.

⁹ The completion rate may also be affected by regulatory and legal requirements for compulsory education to a certain age; this is a factor only in some middle-income countries.

¹⁰ GAO (2007).

¹¹ Data in Figures 1-4 drawn from the GAO (2007).

¹² Note that Ethiopia does not meet the 50 percent Muslim population criterion, but it is included in the Muslim group because of its large Muslim minority and its strategic location.

¹³ Data in Figure 4 on primary completion rate is drawn from the 2007 GAO report and World Bank country data on infant mortality rates; the rule of law is drawn from the World Bank website.

¹⁴ Oxfam America. *Smart Development: Why US foreign aid demands major reform*. February 2008. Available at http://www.oxfamamerica.org/newsandpublications/publications/briefing_papers/smart-development.

¹⁵ USAID calls these Leader With Associate Awards (LWA).

¹⁶The Buy America Act, passed in 1933, mandates that U.S. federal government agencies favor domestically produced goods over foreign goods in procurement.

¹⁷“Reforming Foreign Assistance.” *Washington Post*, January 3, 2006.

¹⁸There are incentives for both USAID staff (promotions) and contractors (business development) to promote this kind of approach; indeed, USAID centrally funds contractors (not governments or local NGOs) to develop them.

¹⁹ On-the-job experience, supported by training, is generally considered a good practice. See, inter alia, Middleton, John, Adrian Ziderman, and Arvil Van Adams. *Skills for Productivity: Vocational Education and Training in Developing Countries*. New York, NY: Oxford University Press, 1993.

²⁰ Ayyar, R. V. Vaidyanaytha. *Organizing to Take Leadership: The Experience of India*. Presented to the Capacity Development Workshop: Country Leadership and Implementation for Results in the EFA/FTI Partnership. Cape Town: Fast Track Initiative, July 16-19, 2007. Available at <http://www.fasttrackinitiative.org/library/moduleIIIcoordination.pdf>.

²¹ Oxfam America (2008), citing OECD data.

²² Oxfam America (2008) cites a 2002 report from the World Bank that documents the need for Vietnam’s Ministry of Education to prepare 10,000 reports to donors and welcome 2,000 donor delegations.

²³ Fast Track Initiative. *Annual Report 2007. Quality Education for All Children: Meeting the Challenge*. EFA-FTI Secretariat, 2007. Available at http://www.education-fast-track.org/library/AR2007_Eng_Full.pdf.

²⁴The U.S. is not the only country where foreign assistance is guided principally by political objectives, but the number of such countries (for example, Russia, China, Venezuela, and Saudi Arabia) is dwindling.

²⁵ USAID has, in the past, provided sectoral budget support with some success, although not in basic education. See Beasley, Anne. *Program Assistance: Findings and Recommendations*. Evaluation Paper No. 9. USAID, 2006.

²⁶ Organization for Economic Cooperation and Development (OECD). *Paris Declaration of Aid Effectiveness*. Paris: OECD, March 2005. Available at <http://www.oecd.org/dataoecd/11/41/34428351.pdf>. Also see OECD. *Progress Report to the High Level Meeting: Implementing the 2001 DAC Recommendation on Untying Official Development Assistance*. Development Assistance Committee, March 2006. Available at <http://www.oecd.org/dataoecd/40/0/37409642.pdf>.

²⁷ Koeberle, Stefan., Jan Walliser, and Zoran Stavreski. *Budget Support as More Effective Aid? Recent Experience and Emerging Lessons*. World Bank, 2006. See also, Foster, Mick. *Improving Medium to Long-Term Predictability of Aid*. Report to DfID, 2005.

²⁸ Adapted from Tommasi, Daniel. *Options for SWAPS*. Presented to the Capacity Development Workshop: Country Leadership and Implementation for Results in the EFA/FTI Partnership. Cape Town: Fast Track Initiative, July 16-19, 2007.

²⁹ OECD. *OECD Review of United States Development Assistance Programs*. 2006. Available at http://www.oecd.org/document/27/0,3343,en_2649_34603_37838171_1_1_1_1,00.html.

³⁰ OECD. *Progress Report to the High Level Meeting: Implementing the 2001 DAC Recommendation on Untying Official Development Assistance*. 2006.

³¹ A case in point is USAID’s 1998-2004 grants to support NGO service delivery for women and girls in India, including girls’ education. These grants were administered by U.S. NGOs. See USAID. *USAID/India Strategic Objective Closeout Report: Expanded Advocacy and Service Delivery Networks for Women and Girls*. 2006. Available at <http://www.oecd.org/dataoecd/55/14/36104395.pdf>.

³² Non-U.S. for-profit companies are not eligible to bid on USAID contracts.

³³ OECD. *Review of United States Development Assistance Programs*. 2006.

³⁴ Beasley, Anne. *Program Assistance: Finding and Recommendations*. Evaluation Paper No. 9. USAID, 2006.

³⁵ Fast Track Initiative (2007).

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