

EDUCATION AND FINANCING STRATEGIES FOR FRAGILE STATES

From: Working Session Group¹

Background for Working Session: At the UNICEF Progress Review Seminar in New York in November 2007, an ad-hoc meeting of the Fast Track Initiative's Fragile States Task Team decided to convene a working session to have an in-depth discussion of how to effectively address fragile states.² Therefore, on March 11, 2008, a working session group representing governments, donor agencies, multilateral organizations, and NGOs was hosted by the Council on Foreign Relations in Washington, DC to discuss a set of recommendations for developing a new global aid architecture for education that would specifically address children and youth affected by conflict.³ **The goal of this meeting was to determine if there was a set of options that could be agreed upon to present to the Education For All Fast Track Initiative Steering Committee in Tokyo, Japan at its April 2008 meeting. That consensus consists of three primary recommendations that are provided here for review, consideration, and endorsement.**

In brief, the working session group agreed and proposes that the FTI Steering Committee endorse:

- 1. The expansion of the FTI to include an Interim Status designation;**
- 2. That financing for Interim Status FTI countries will be through an accompanying financing mechanism;**
- 3. A further process to develop a detailed scoping of the most viable mechanism/s to be presented at the next FTI Steering Committee meeting in Oslo by the Fragile States Task Team.**

Key principles that the mechanism/s should be:

- Fast
- Respond effectively to incentives of developing countries and of donors
- Diversity of sources of finance (bilateral and pooled funding)
- Diversity of delivery channels

¹ Working Session Group was comprised of a number of members of the FTI Fragile States Task Team, the INEE Working Group on Education and Fragility, as well as others who have contributed to this field. See Appendix A for a complete list of participants.

² It was requested that Gene Sperling, who was working on a paper on the new global aid architecture for education, draw recommendations from his paper that were relevant to children of conflicts and fragile states and would be the basis for discussion and building a consensus document. Mr. Sperling also convened this session at the Council on Foreign Relations in Washington, DC under the auspices of the Center for Universal Education and the Education Partnership for Children of Conflict.

³ It should be noted that this is also building upon by reported published by OECD's Development Assistance Committee (DAC), the Progressive Framework by the FTI Fragile States Task Team, Save the Children's *Rewrite the Future Campaign*, and Gene Sperling's "Closing Trust Gaps: Unlocking Financing for Education in Fragile States."

Building All Countries into the FTI Process: Six years following its creation, there is little disagreement that the Fast Track Initiative has emerged as the most viable process for establishing a global compact to reach universal education by 2015. It is also increasingly recognized that, at its best, the creation of a common Indicative Framework and donors joining together at the country-level to align behind national Education for All plans and agree on additional funding in a coordinated manner has in many ways been a model for donor collaboration as called for by the Paris Declaration on Aid Effectiveness. With the creation of the Catalytic Fund, FTI now offers two paths for external resource mobilization—one, the expansion of bilateral support for country plans; and two, an opportunity for countries to seek funding through a pooled financing mechanism.

However, over the last couple of years, through work done by OECD’s Development Assistance Committee (DAC), the FTI Fragile States Task Team, and the Inter-Agency Network for Education in Emergencies (INEE), a growing consensus has emerged that the FTI must find a better way of incorporating children and youth from fragile and conflict-affected states into its efforts on education. For many countries, the FTI process is not a fast track at all for children and youth who are refugees, internally displaced, or living in post-conflict or otherwise fragile nations.⁴ This meeting sought to turn the philosophy of the Progressive Framework into specific recommendations for broadening the global architecture to include nations that do not yet qualify for full FTI endorsement consideration.^{5,6}

RECOMMENDATION 1: A SINGLE GLOBAL PROCESS WITH INTERIM STATUS

Options Considered and Rejected: In reviewing how to expand the Progressive Framework, the working session group considered and rejected 3 options:

- 1. Purity Approach: Keep the FTI unchanged or “pure.”** This approach makes clear that the FTI is for high-performing governments, maintaining the FTI brand as the “gold standard” for donors in terms of the trust needed to justify major new commitments of resources. The working session group felt that this option was not ideal because it left out the tens of millions of children and youth living in countries affected by conflict or fragility, it could lead to donor fragmentation, and/or it could create all-or-nothing situations for countries that showed good political will towards education reform but otherwise lacked capacity would either be endorsed too quickly or left without any resource mobilization options. In addition, the group recognized that that the “gold standard” already shows considerable variation, depending on country context and capacity, as well as donor capacity.

⁴ FTI has endorsed 11 of the 35 fragile states identified by the OECD DAC’s *DAC List of ODA Recipients: Effective from 2006 for Reporting on Flows in 2005, 2006 and 2007* or 9 of the 34 countries identified by the World Bank IDA. However, there are some fragile states, such as Liberia, that have received FTI endorsement but do not qualify for additional funds. Additionally, of the countries that are still to be endorsed (Appendix B), many will struggle to meet the full FTI endorsement.

⁵ The FTI Progressive Framework has recently been revised and an updated version of the paper should be available prior to the FTI Steering Committee Meeting in Tokyo in late April.

⁶ See Appendix B for a list of countries that could be considered for the proposed Interim FTI Status.

2. **All-In Approach: Include all countries into the FTI Process.** While this inclusive option would ensure that no nation were cast outside the scope of the FTI, by channeling all countries through the existing FTI system, the FTI “seal of approval” would no longer have the same value. This group determined that, while this option holds the potential for significant progress towards ensuring that children and youth in fragile states don’t fall through the cracks, the negative impact on the existing endorsement process is so substantial that it warranted considering other options.
3. **Create a Separate Fragile State Designation or Process.** This option was seen as potentially consistent with the Progressive Framework, which allows countries to place themselves on a trajectory towards full-endorsement status. However, the group saw that it faced four key obstacles:
 - 1) Because there are varying definitions and categorizations of fragile states, needless amount of debate would focus on determining which states should be labeled as such. Furthermore, the group recognized that the effect of fragility on state capacity can change over time; states are not necessarily fragile or not fragile but rather could be located on different parts of a spectrum at different points in time (e.g. Nepal or Bangladesh).
 - 2) The group had reservations about labeling post-conflict states as “fragile” – especially when such nations are desperately trying to signal to the world that they are stable, not fragile.
 - 3) Establishing a separate system or designation for a group of “fragile” nations could lead to horizontal inequity, whereby a conflict-affected nation might be prioritized over another pre-FTI nation that had not been involved in a conflict.
 - 4) If a separate “fragile state” designation leads to a separate fragile state process, this could in turn lead to a separate process outside of FTI that could balkanize the global process.

This group carefully considered this option since it seemed to overcome the key issues raised by both the “pure” and the “all-in” approaches. However, **the group felt that the above challenges were significant and thus were impelled to find and recommend a fourth option.**

Recommended Option

Single Global Process with Interim Designation: The working session group achieved consensus that there should be a single FTI Process with an Interim FTI designation. The Interim Stage would operationalize the Progressive Framework so that countries would have a viable trajectory toward the FTI process. This option is preferable to a “fragile state” label or process because it helps to avoid the fragile states stigmatization and mitigates concerns about horizontal inequity among non-FTI countries. It also avoids diluting the “gold standard” as full FTI endorsement is still maintained as a goal. It was also noted that this option is consistent with the successful Enhanced HIPC debt relief process that offers considerable support to countries at an *individualized* interim point – its “decision point” – along a country’s trajectory towards strong macroeconomic policy performance and structural reforms towards its “completion point” where it is eligible for full debt relief. FTI should be considered as a movement with a clear

goal: to help countries develop and sustain the momentum to move towards education for all. Countries can be located along a continuum ranging from those that have not yet developed a sound sector plan, have serious capacity and financial constraints, and/or have a weak political will to reform to those countries with good plans, sufficient capacity, openness to reform, and the ability to generate adequate resources to be on track to reaching education for all. The FTI Interim Process establishes a way for non-FTI countries still to go through a process that demonstrates progress toward a comprehensive education plan and education for all.

In designing this Interim Status within the single FTI process, the working session group also agreed on **three subcomponents of the Interim Process:**

A. *Requiring an Interim Education Strategy:* This group recognized that eligibility for an Interim designation should be contingent on the development of an education plan that fits a country's context, not the submission of a full FTI Education for All plan that details how the country would reach 100% primary completion.⁷ It was felt that such a requirement impelled pre-FTI countries to put forward unrealistic and aspirational proposals not linked to what was actually achievable in the coming few years. Instead, the group agreed that a country could put forward a substantial country-specific Interim Education Strategy, which would show that a country had a plan and strategy for laying a major building block for achieving universal education, or, as the OECD-DAC would emphasize, an element that would show that there was a major effort that would help to identify the root causes of fragility and potential sources for increasing stability in the country.⁸ The group felt that the Interim Status should allow various types of donors to support the country, even if the country were not yet prepared to ensure that all the elements were in place for achieving universal primary education. Such plans would analyze a country's current baseline and set realistic yet ambitious targets for where the country could get to from where they currently are. Furthermore, while not needing to show that it had developed the full budgetary capacity for receiving massive inflows of funds for education, a country would need to have a plan to ensure that the funding necessary for the strategy could be used effectively and would help close some of the major "trust gaps." With an Interim Education Strategy in place, key partners could harmonize contributions to deploy a proper mix of intervention strategies that not only help deliver financial assistance but also provide coordinated technical assistance.

B. *Quick Response, Outreach, and Funding:* The group recognized that it is essential in some countries to move quickly in order to build legitimacy and deal with fragility in post-conflict and emergency situations. The Interim Status should work on early outreach to explain the process and the financing mechanism be developed to offer assurance that the funds will be available. In the short-term, FTI status should give countries access to up-front and immediate funding to make progress on some "quick

⁷ The group noted that the Education Plan Development Fund (EPDF) was one effort already undertaken by FTI to help countries that do not have the capacity to develop a full FTI plan have access to resources to get to that point. However, the group noted that these funds were directly focused on capacity development and technical assistance, which would not fully address the funding needs of Interim-Status countries.

⁸ It was also agreed by this group that this could be a sub-sectoral plan, i.e. primary or basic education only, depending on circumstances and a country's capacity to develop something more comprehensive.

win” education programs while also building capacity of the education system at all levels in a way that is accountable and transparent for the long-term.

C. *Openness to Sub-national and Non-Government Units:* The group agreed that while it is always preferable to respond to an education plan owned and drawn up by the Ministry of Education through a participatory process, donors should not automatically be limited to working only with the central government. The group felt that, where it could be established that the central government was not at a stage to put forward a unified plan, the Interim Status should be open to plans from other possible applicants according to the individual country contexts – such as strong local districts and states (e.g. Nigeria), cross-border groups (e.g. Liberia and Sierra Leone and Guinea), and, where absolutely necessary and appropriate, consortiums of NGOs and UN agencies working on the ground (e.g. Somalia). However, the group also issued a strong recommendation that in opening up the Interim Status to such non-governmental entities, great care must be taken not to undermine the legitimacy of re-emerging governments or create permanent parallel structures that hinder the eventual return or the viability of the Ministry of Education. In such cases, a very conscious, forward-looking plan, as suggested by the OECD-DAC’s “Shadow Alignment” concept, must be in place to “reinstate the state” as soon as is possible and appropriate, noting observable benchmarks that signify Ministry capacity and readiness.^{9,10}

RECOMMENDATION 2: ESTABLISH AN INTERIM FINANCING MECHANISM

This group agreed that for the Interim Status, as is the case for the current FTI process, efforts toward resource mobilization should be twofold: one, encouraging bilateral donors and foundations to increase funding commitments to developing countries with endorsed Interim plans; and two, making additional financing available through pooled financing mechanisms.¹¹

Increased Bilateral Agreements: Serious efforts must be made to both mobilize more bilateral funding for these countries as well as publicly recognize these donors when measuring financial commitments linked to FTI. There is no doubt that, from the perspective of a donor, getting international recognition is a good way to build constituent support for additional development assistance and create the opportunity to have more champions of the cause.

New Global Pooled Fund: Since a pooled financing source, such as the Catalytic Fund, currently does not exist for Interim Status countries at the global level, the group recommends

⁹ Shadow Alignment is defined as when donors act in a way that is compatible with government systems and respect administrative boundaries to improve the prospects of donor interventions building sustainable institutions and systems.

¹⁰ The concept of “reinstate the state” is explored in more depth in Sperling, Gene (2006) *Closing Trust Gaps: Unlocking Financing for Education in Fragile States*, Recommendations for the Fast-Track Initiative Fragile States Task Team at the 4th FTI Partnership Meeting, Cairo, Egypt (November).

¹¹ Many in the group emphasized the importance of maintaining both options since the pooling of funds may not be permissible for some donors.

that such a mechanism be established. The group did not settle on a single format for the financing mechanism, but did narrow down to two options for further consideration.¹²

Option 1 – Catalytic Fund Expansion: Open a Second Window within Catalytic Fund:

There was initial discussion of whether to simply expand the eligibility criteria of the existing Catalytic Fund to include fragile and conflict-affected and other pre-FTI states. There was a general sense at the meeting that *if* Catalytic Fund resources were to be used for Interim FTI countries, it would be better to create a second window. While this option still presents some difficulties – including how to determine how many funds to set aside for the Interim Window and how to make allocation decisions quickly to have the desired impact – the group supported further consideration of this option for the following reasons:

1. Under this arrangement, the World Bank would be able to act as a trustee for the fund and transfer funds to the most locally-appropriate organization or agency to manage and disburse in-country.¹³
2. The second window would allow greater targeting of a donor country's development agenda. By having a separate window specifically for Interim FTI countries, donor countries could focus their support to the Catalytic Fund on Full FTI countries, pre-FTI countries, or both.
3. The Interim Window might also encourage funding from non-traditional donors, such as private foundations, that wanted to specifically target or be a champion for education in fragile or conflict-affected areas.
4. Utilizing the existing fund framework, an Interim Window might be more efficiently managed than a new fund. Some felt that establishing the window would reinforce a sense of continuity and stability derived from being included within the already-known Catalytic Fund.
5. There was great support for maintaining greater flexibility. Some felt that establishing a window within the Catalytic Fund could operate as a complementary source of support to the UNICEF and other funds, while seeking to create a mechanism for coordinated dialogue and planning.¹⁴

Option 2 – Establish a New Fund: Rather than making adjustments to one of the existing mechanisms, the other option would be to create a separate fund for Interim States countries. It would be possible to have FTI partners – such as UNICEF – play a

¹² The group discussed the Dutch donation of \$200 million to UNICEF for education in emergency situations and recognized that the overall financial architecture should ensure a shared or single dialogue to include any new financial mechanism through FTI, including the UNICEF/Netherlands/UK program.

¹³ The in-country organization may well be UNICEF in many cases, but the arrangement would allow other options to be considered depending on the context and capacity of organizations on the ground.

¹⁴ At both the working session and in subsequent discussions, members of the group identified different ways – such as the education cluster and the Unicef funds – in which the financing mechanism could work with existing processes to include flexibility that can attract money from different sources but ensure a coordinated policy response.

stronger role in defining what the Interim Status would entail and how it would be supported, while broadening the sense of ownership among such partners.

RECOMMENDATION 3: FURTHER STUDY OF INTERIM STATUS OPTIONS

The group recognized that important elements of creating a new Interim designation within the single FTI process and including a new financing mechanism –whether under the Catalytic Fund or as a separate fund – would be issues of procedures and governance, as well as evidence to support a specific financing mechanism choice. Issues that require more discussion with *all* relevant stakeholders may include, among others:

- What would be the process for determining Interim Status designation and for making funding decisions for the interim financing mechanism and how would this relate to the Progressive Framework?
- How can the FTI process be opened up to have more diversity in agency leadership and financial management mechanisms? If maintaining flexibility and innovation remains a key focus of ensuring better coverage of Interim-FTI countries, how would the Interim-Status be coordinated within the FTI Secretariat and Fund Committees to ensure a single seamless global process?¹⁵

The group also recognized the need to acquire more evidence to support the theory that having a distinct interim financing mechanism will be attractive to donors and private foundations. Dialogues with donor agencies and private foundations on the likelihood that a new mechanism would mobilize new and additional funding are essential to supporting the case for a new mechanism.

If the FTI Steering Committee adopted or expressed strong interest in considering the first two recommendations, this group recommends that the FTI Fragile States Task Team or the INEE Working Group on Education and Fragility be tasked to study the interim financing and governance options and propose concrete recommendations on the most appropriate interim financing mechanisms as listed above. Their work would include extensive consultation with wider stakeholders, including those present at the Working Session, and presenting recommendations to the next FTI Steering Group Meeting. To ensure that this group can complete its tasks, the human, financial, and institutional resources should be made available to complete the assignment on time.

¹⁵ Some posed the question of whether the Interim process would require an expansion of the existing FTI Secretariat to handle the increased workload or the establishment of an Interim-FTI Secretariat that might be housed at an institution other than the World Bank.

APPENDIX A: WORKING SESSIONS PARTICIPANTS

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APPENDIX B¹⁶

Countries expected to be endorsed in 2008

Chad
Malawi
Papua New Guinea
Uganda
Vanuatu

Countries expected to be endorsed in 2009

Angola
Bangladesh
Comoros
Democratic Republic of Congo
Republic of Congo
Eritrea
Lao PDR
Nigeria
Solomon Islands
Tanzania
Togo
Tonga

Other Eligible Countries

Afghanistan
Cote d'Ivoire
India
Indonesia
Kiribati
Myanmar
Nepal
Pakistan
Somalia
Sri Lanka
Sudan
Zimbabwe

¹⁶ Source: FTI Secretariat