

ALIGNING FUNDING WITH NATIONAL SYSTEMS



Students share a book in class in Burkina Faso.
GPE/Kelley Lynch

GPE promotes alignment of aid with partner countries' systems as part of its commitment to transform education systems and better mobilize resources for sustainable results.

THE CHALLENGE

Domestic financing under national budgets is the main source of funding for education. However, external aid represents a significant proportion of additional, discretionary financing, particularly in low-income countries. But aid to education is often fragmented and operates on the margins of national budget systems. This can result in high transaction costs and inefficiencies in coordination and implementation. Progress has been made, but in 2020 a large proportion of core GPE grants were still implemented through nonaligned modalities.

WHAT IS AID ALIGNMENT?

Alignment of external aid is defined as using a partner country's institutions, human resources, procedures and tools as the mainstays for the implementation of aid. This means aligning aid not only with national sector policies, strategies and plans, but also with government institutions and systems.

WHY IS AID ALIGNMENT IMPORTANT?

When education aid is well designed and aligned with national budget systems, this can:

- ▶ Reinforce national coordination and accountability, with reduced fragmentation;
- ▶ Increase the absorption of external funding, using the full bandwidth of the national budget and country systems;
- ▶ Strengthen national systems and improve the effectiveness of domestic resources for education, generating more results at scale;
- ▶ Improve transparency and joint oversight of policy implementation by government, development partners and civil society; and
- ▶ Leverage cross-cutting national reforms that have a critical impact on education.

Aligned aid practices can be adapted to the variable strength of public financial management capacities in partner countries without compromising sound fiduciary management.

GPE'S APPROACH

GPE encourages grant agents and partner countries to progress toward more aligned forms of aid.

- ▶ Building on the previous strategy (2016–20), GPE has made the alignment of aid modalities one of its key strategic objectives for 2021–25.
- ▶ Forty-four percent of programs in 2020 were aligned to partner countries' systems, up from 34 percent in 2015.
- ▶ Aligned support represented 54 percent of core GPE financing by volume in 2020, up from 47 percent in 2015.
- ▶ The absorption rate through aligned pooled funds in 2019 was double that of nonaligned funding.

GPE's new operating model will help identify opportunities for greater alignment as part of requirements for the development of partnership compacts.

NIGER

In Niger, the Education Sector Common Fund (*Fonds commun sectoriel de l'éducation, FCSE*) functions as a separate subaccount at the national treasury, with earmarked and traceable expenditure within the national budget. Through the FCSE, GPE has helped improve the effectiveness of aid to education by aligning development partners behind the national budget. This is helping the government better coordinate resources for the sector and drive reforms in decentralization to reach more of the most marginalized children. It also increased the transparency in resource allocation across the sector and the quality of the dialogue.



Young girls share a textbook in class at Ecole Patti, Makalondi, Tilaberi Region, Niger.
GPE/Kelley Lynch

BURKINA FASO

In Burkina Faso, GPE is supporting a ring-fenced pooled fund to boost the national education budget. The fund operates as a separate subaccount of the national treasury, which gives the government ownership over the funds while allowing donors more options to manage fiduciary risks. The pooled fund disburses on average over \$30 million per year, supporting the government to improve resource allocation for decentralized service delivery and implement large-scale reforms in key areas such as in-service teacher training.

NEPAL

In Nepal, a pooled fund links results-based financing with national public financial management reform, aiming to create efficiencies in key areas such as fiduciary oversight and procurement. It disburses on average over \$100 million per year, with nine participating development partners, including GPE. The aligned pooled fund has brought critical focus on government plans and budgets, issues in resource allocation and implementation, as well as important reforms such as decentralization.

MOZAMBIQUE

In Mozambique, the Education Sector Support Fund (known by its Portuguese acronym, FASE) was established in 2002 to streamline support for the sector and currently includes nine development partners. FASE funds are earmarked and managed through the main government planning, budgeting, management and accounting systems, with additional controls for financial reporting and procurement. FASE contributes to basic education, channeling resources directly to national, provincial and district education departments and schools throughout the country. It disburses on average above \$65 million per year. FASE has made a significant contribution to ensure that the quality and relevance of the sector policy cycle and dialogue has improved and broadened in scope. It has supported more transparency in budget programming and execution, highlighting service delivery issues and supporting critical reforms.