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# ALIGNING AID FOR EDUCATION WITH NATIONAL SYSTEMS

## SUPPORTING SYSTEM TRANSFORMATION AND BETTER EDUCATION OUTCOMES

Brief

# OVERVIEW

Addressing the equity and learning crisis in education requires resolute efforts to strengthen national systems. This includes efforts by development partners to improve development cooperation practices with more alignment of aid for education with national systems. Alignment provides unique opportunities to strengthen national systems for the education sector, leverage improvements in the effectiveness and efficiency of public expenditure and support better education funding at scale.

## The benefits of aligning aid for education with national systems

Alignment of external aid for education is a strategic and structural approach in development cooperation, with the aim of strengthening national systems and accelerating education outcomes. Its underlining principle is the use of national institutions, human resources, procedures and tools to implement external aid, in close structural coordination with domestic financing under the national budget.

Soundly developed aligned funding modalities at country levels can uniquely contribute to enhanced government ownership, coordination and accountability; better joint sector dialogue centered on the national budget and national systems; accelerating the implementation of critical cross-cutting reforms for the education sector; and supporting—from within systems—the lifting of bottlenecks in service delivery. Aligned modalities are also a more effective and efficient way to channel additional resources for education by using the full bandwidth of national public financial management systems, with the possibility of financing education establishments and needs at a national scale. There are significantly higher rates of absorption of external

aid when using aligned modalities,<sup>1</sup> with lower unit and overhead costs associated with economies of scale.

## Types of alignment and progress toward alignment

Although alignment with country systems (as defined by Global Partnership for Education [GPE] norms and methodology)<sup>2</sup> may not be possible in all circumstances, there are different types of aligned modalities that can be established in contexts with weaker public financial management systems, without compromising sound fiduciary management and the accountability of development partners to their own governments and taxpayers.

Going from unaligned approaches in development cooperation to systems-centered aligned financing is the result of an exploratory journey that partner countries and development partners undertake together. A shared understanding and mutual commitment are important to achieve this change. The move toward alignment is facilitated by an early identification process, to determine the structural limitations of current approaches in development cooperation for the education sector and the opportunities offered through alignment.

## Sound management of opportunities and risk

The implementation of an aligned modality gives rise to opportunities and risks that need to be managed. Procedural approaches to risk management are used to clarify national procedures, improve them where necessary and ensure their effective application. This includes the type of aligned modality to be used,

1 GPE, Results Report 2020 (Washington, DC: Global Partnership for Education, 2020), 79, box 4.4, <https://www.globalpartnership.org/content/results-report-2020>.

2 GPE, *Methodology Sheet for Global Partnership for Education (GPE) Indicators: Indicator (29) Proportion of GPE Grants Aligned to National Systems* (Washington, DC: Global Partnership for Education), [https://www.globalpartnership.org/sites/default/files/methodological\\_sheet\\_for\\_indicator\\_29.pdf](https://www.globalpartnership.org/sites/default/files/methodological_sheet_for_indicator_29.pdf).

with the possibility of additional risk management measures and safeguards. A second strategy involves supporting the capacity of national implementation processes and human resources or providing additional oversight. A well-structured dialogue is critical to jointly address operational, fiduciary and strategic issues as they arise, build confidence and link to broader stakeholders and challenges in the education sector.

## GPE support for change and system transformation

GPE's core mission is to mobilize partnerships and investments that transform education systems in partner countries, leaving no one behind. Country-level objectives of the Strategic Plan 2021–25 (GPE 2025)<sup>3</sup> include strengthening national capacity, driving results at scale and more coordinated action and financing to enable transformative change. GPE

partner countries have underscored the importance of this to better support national systems and to reduce distortions from some unaligned aid practices. Promoting more aligned and coordinated education financing modalities at country levels, with as many development partners as possible, is an important element to help effectively deliver those objectives. GPE's engagement on alignment helps drive the principles of its [Effective Partnership Rollout \(EPR\)](#).

Through its partnership model, GPE deploys strong quality assurance and risk oversight, with the aim of maximizing the catalytic benefits of alignment to unlock system bottlenecks. GPE promotes monitoring and evaluation in country-level processes to drive systematic learning on the delivery of impact at scale. GPE partners and grant agents have developed strong experience and expertise with aligned modalities in different contexts. This brief looks at some of these examples in diverse countries, including Burkina Faso, Mozambique, Nepal, Niger and Senegal.

# WHAT IS AT STAKE: THE CHALLENGE FOR AID TO EDUCATION

Many children in developing countries still do not complete a full cycle of basic education and the quality of learning is often low, particularly for the most vulnerable. Fifty-three percent of 10-year-olds in low- and middle-income countries cannot read and understand a simple text.<sup>4</sup> Many schools remain without sufficient resources to operate effectively and without adequate training for teachers. This is particularly critical for children without the means to access private schools or pay for remedial education services. The situation has been further aggravated

by the impact of the COVID-19 pandemic, which has triggered a global education emergency. Close to 1 billion children in developing countries were affected by school closures.<sup>5</sup>

To overcome these deficiencies, inequities and inequalities in learning, the allocation and implementation of national resources for education must be improved, and education systems transformed to produce more and better education services. Development partners also have a role to

3 GPE, "GPE 2025 Strategic Plan" (Meeting of the Board of Directors, November 30, December 1 and 3, 2020, BOD/2020/11/12 DOC 11), <https://www.globalpartnership.org/sites/default/files/document/file/2020-11-GPE-Board-meeting-strategic-plan.pdf>.

4 "What Is Learning Poverty?" (education brief), Understanding Poverty, World Bank, April 28, 2021, <https://www.worldbank.org/en/topic/education/brief/what-is-learning-poverty>.

5 GPE, *GPE and COVID-19* (Fact sheet, Global Partnership for Education, Washington, DC, April 2020), <https://www.globalpartnership.org/sites/default/files/document/file/2020-06-factsheet-gpe-and-covid-19-coronavirus.pdf>.

play to better support developing countries' funding needs and the transformation of their education systems.

In too many instances, external funding is fragmented and operates on the margins of the national systems development partners mean to support. Because of competing accountabilities, development partners for education frequently use their own implementation and reporting systems, weakening national systems' coordination and accountability functions. The coordination of multiple, dispersed donor support mechanisms is difficult, cumbersome and costly. Because of this dispersion of aid, its aggregate leverage effects on systems are not optimal and can at times be counterproductive, undercutting national systems. GPE partner countries have highlighted the distortions of government systems that can result from the lack of alignment.<sup>6</sup>

One response to this deficit in external aid is to encourage more alignment with national systems bringing together as many partners as possible. Alignment with national systems is understood

as the use of national institutions, human resources, procedures and tools for the execution of external aid through the national budget process.

Going through the national budget and making national administrations accountable for implementing operations financed from external aid brings in much needed additional resources, with better overall coordination and complementarity with domestic financing, as well as unique opportunities for systems' strengthening. Moreover, aligned aid allows this to be done at scale and with lower transaction costs than unaligned forms of aid.

Alignment may not be practical or possible in all circumstances. Typical circumstances where this is not possible will be in countries with very weak public financial management (PFM) systems or in countries in situations of high-intensity conflict. However, the crucial point is that different types of aligned modalities are available that can be successfully established in contexts with weaker PFM systems, without compromising on sound fiduciary management.



A new teacher training center in Louga, Senegal in 2018.  
GPE/Carine Durand

6 GPE, "GPE 2025 Operating Model Framework" (Meeting of the Board of Directors, November 30, December 1 and 3, 2020, BOD/2020/11/12 DOC 05), <https://www.globalpartnership.org/sites/default/files/document/file/2020-11-GPE-Board-meeting-operational-model.pdf>.

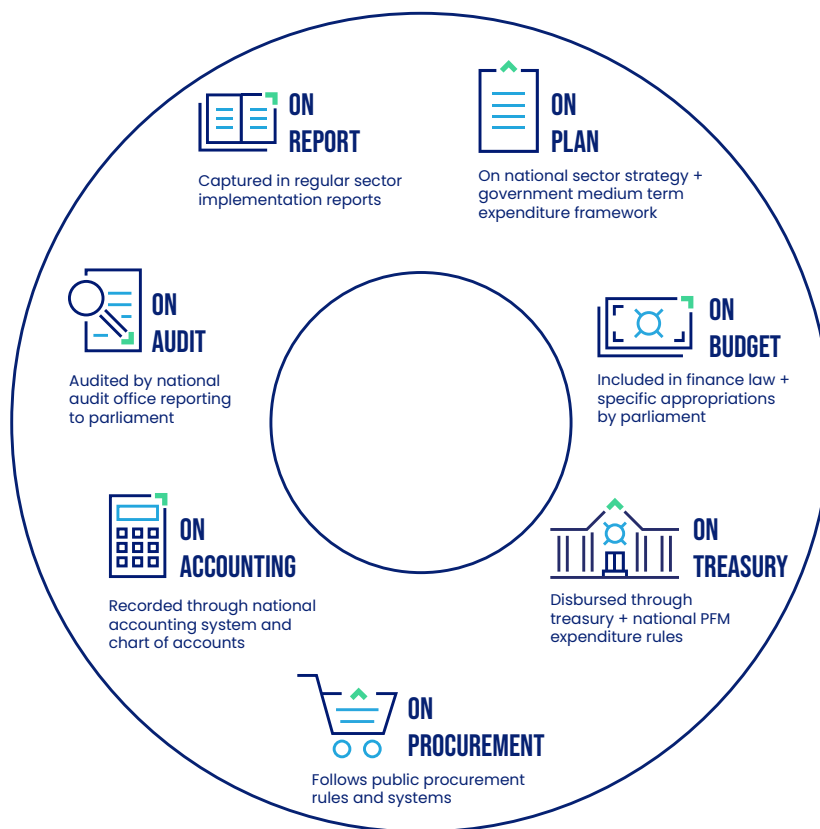
# ALIGNMENT WITH NATIONAL SYSTEMS

GPE defines alignment of external aid with country systems as using a partner country’s institutions, human resources, procedures and tools as the mainstays for the implementation of aid to education.<sup>7</sup> This means aligning the implementation of aid for education with not only national sector policies, strategies and plans but also broader government institutions and public financial management systems. It means alignment not just with the ministry of education but also, where

possible, with the systems and procedures of the ministry of finance, central bank, parliament, local government and the national audit office. This level of alignment adheres to the implementation processes and accountabilities of the regular national budget.

GPE uses seven dimensions<sup>8</sup> to capture and benchmark the alignment of education aid with national systems (figure 1).

**FIGURE 1: BENCHMARKING THE ALIGNMENT OF EDUCATION AID WITH NATIONAL SYSTEMS**



7 GPE, *Results Report 2018* (Washington, DC: Global Partnership for Education, 2018), 3, <https://www.globalpartnership.org/content/results-report-2018>.

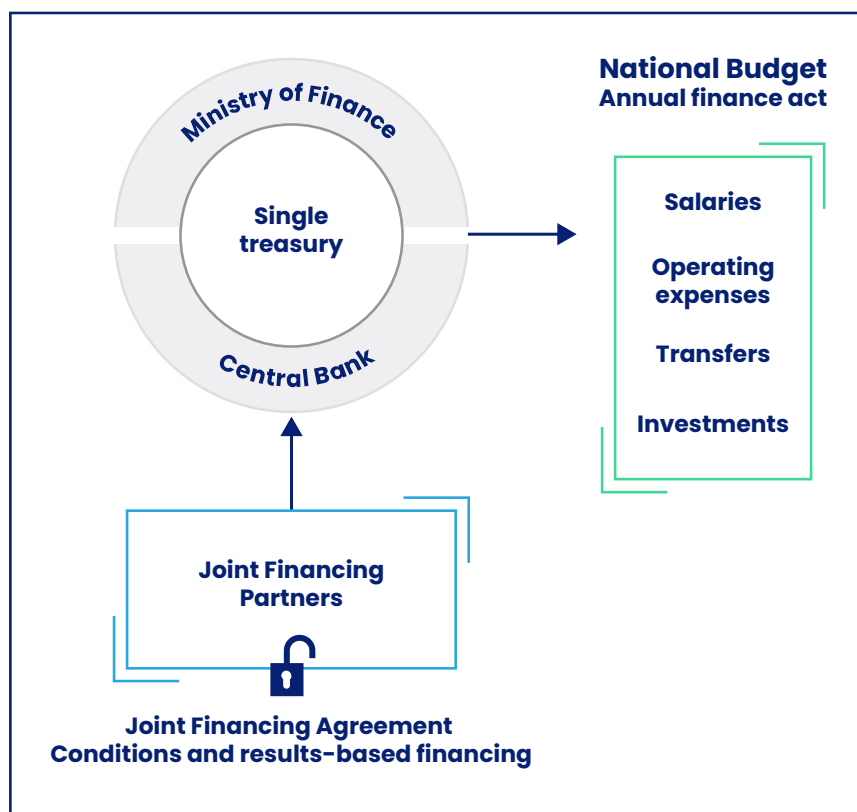
8 GPE, *Methodology Sheet for Global Partnership for Education (GPE) Indicators: Indicator (29) Proportion of GPE Grants Aligned to National Systems*. This methodology was derived from international best practice and the classification of dimensions of aid on systems proposed by the Busan Task Force on Public Financial Management. GPE has been monitoring and reporting on this indicator since 2015.

This benchmarking still allows considerable variations in aligned modalities, depending on context and approaches to opportunities and risk management. These variations can broadly be placed in two categories: (i) budget support and (ii) aid on budget, also known as ring-fenced or earmarked budget support.

With budget support, once agreed conditions have been met, external financing is disbursed directly into the national treasury. This financing becomes

indistinguishable from the regular resources for the national budget (figure 2). This approach has considerable advantages: It is the most fully aligned with national systems, with the least transaction costs and allows the dialogue to focus squarely on national systems and results. However, it requires a high degree of confidence from the donors or strong interest in the advantages of this streamlined modality. It is generally practiced in contexts perceived as having stronger PFM systems.

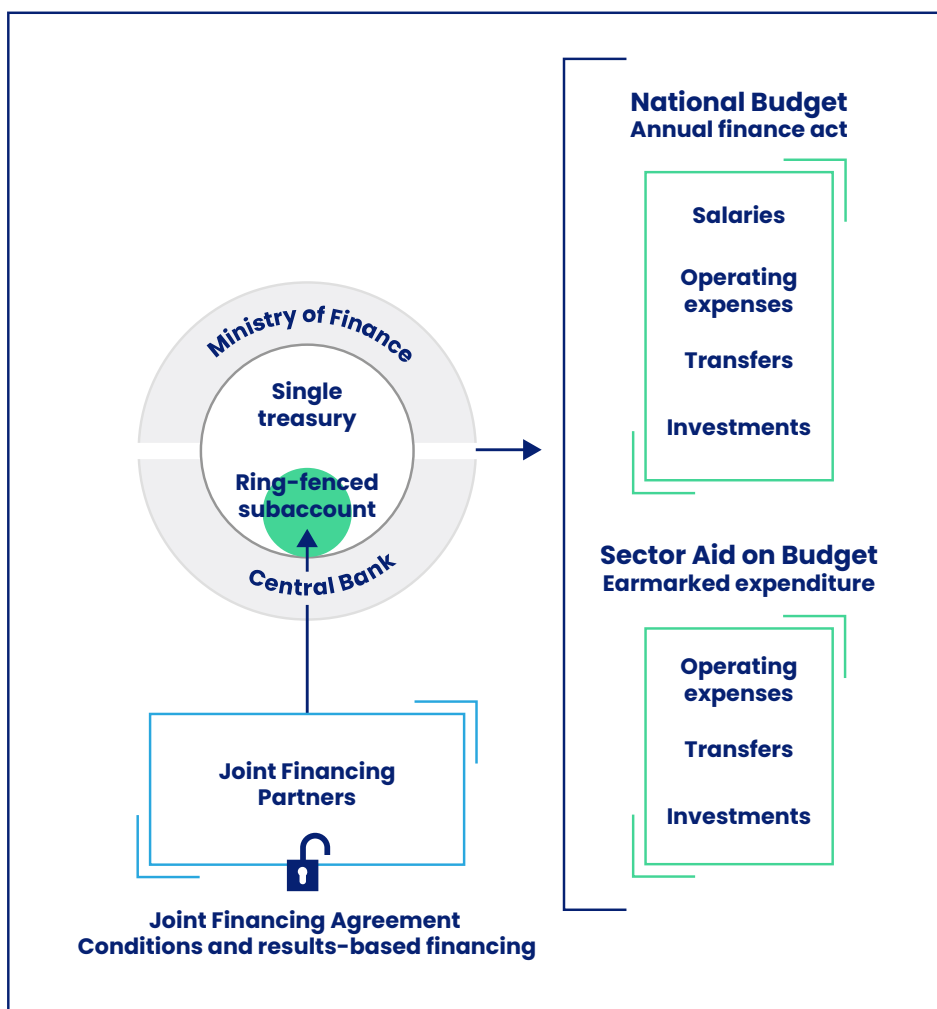
**FIGURE 2: BUDGET SUPPORT**



With aid on budget, external financing is disbursed into a separate, or ring-fenced, account at the national treasury (figure 3). The financing is not commingled with regular national resources and revenues. Specific expenditure is planned (“earmarked”) and drawn down from the dedicated account and tracked as distinct budget items in the annual finance law voted by the country’s parliament. The isolation of external funding, both as ring-fenced resources and earmarked expenditure, allows many options for additional controls and

oversight. Aid on budget provides the ability to align aid in contexts where donors may have less confidence in national systems and are not willing or able to provide budget support. It also allows governments to earmark additional resources for education through their systems but shield them from cash flow tensions that may occur with the regular national budget. This approach is by design more complex, with higher transaction costs than a budget support modality.

**FIGURE 3: AID ON BUDGET**



## BOX 1. ALIGNED MODALITIES VARY FROM COUNTRY TO COUNTRY

The aligned education sector-pooled fund in **Burkina Faso** uses an aid-on-budget mechanism: Resources from the pooled fund are earmarked and planned annually, in complementarity with the regular national budget and off-budget resources from other development partners. This choice is preferred for Burkina Faso, which has a rating of 3.2/6 under “Public Sector Management and Institutions” in the World Bank’s Country Policy and Institutional Assessment rating.

The aligned modality in **Senegal** uses budget support as its main implementation mechanism, with external resources fully commingled with domestic financing in the national treasury and budget. Senegal has a rating of 3.5/6 under “Public Sector Management and Institutions.”

In **Nepal**, resources from the aligned education sector-pooled fund are reimbursed to the country’s single treasury account based on the monitoring of expenditure on several government budget heads, covering a broad spectrum of expenditure for education, from teacher salaries to central ministry and decentralized recurrent and capital expenditure. The monitoring of these budget lines constitutes notional earmarking, which helps to focus dialogue as well as fiduciary monitoring arrangements. This is not earmarking in the true sense: The pooled fund provides financing to the single treasury, which is then indistinguishable from other government resources and revenues. All expenditure on the targeted budget lines is paid out from the government’s regular budget and single treasury. This is an example of budget support with notional earmarking.

Aligned modalities do not always fit neatly into these two categories because they have additional subtleties and variations. One of these is the use of “notional earmarking,” where education sector budget items in the national budget are “highlighted,” but there isn’t an explicit link between segregated donor resources and the highlighted budget items, which are effectively drawn down from the regular national budget and single treasury.



School meals are being prepared at Nguekhokh 4 Primary School in Mbour, Senegal. This activity is part of the program to fight the impact of COVID-19 on the education system, supported by GPE, AFD and WFP.

Senegal Ministry of Education



## BOX 2. KEY TERMINOLOGY

### Sector budget support vs general budget support

Sector budget support and general budget support both use the same flow-of-finance mechanism, with disbursements to the single national treasury. They only differ in the scope of disbursement conditions. Education sector budget support focuses disbursement indicators and targets on the education sector. General budget support focuses on overall national development areas or a mixture of target indicators across several sectors, which can include education.

### Sector pooled funds

The term “pooled fund” denotes the pooling of donor resources at the country level through a unified mechanism and pooled account. The sector pooled fund denotes a mechanism that targets a specific sector and can provide funding at scale. By convention, pooled funds are often understood to be aligned with national systems, with a tendency toward aid-on-budget modalities. But this may not always be the case, and the term is sometimes used liberally across different modalities, including unaligned ones. For added precision, the term “aligned sector pooled fund” may be more appropriate to clearly denote a pooled fund, aligned with national systems and enabling sector-wide funding at a national scale.

## UNIQUE LEVERAGE POTENTIAL OF ALIGNED MODALITIES

Aligned aid modalities offer unique potential to better support sector implementation and leverage the transformation of education systems. The key factor is in the full mobilization of national institutions, human resources and systems, in lockstep with the core engine of national systems that is the national budget and public financial management processes. This structural and strategic positioning

of aid provides strong potential to reinforce national leadership and accountability, improve joint sector dialogue, provide additional financing and absorption at scale, leverage the implementation of critical cross-cutting reforms for education and encourage institutional and capacity transformations to increase the performance of national systems to deliver education services.

## Strengthened national leadership, coordination and accountability

With alignment, funding and actions are clearly embedded within not only the systems and human resources of the ministry or ministries of education but also those of the ministry of finance, local government and parliament. This positioning makes the government as a comprehensive body considerably more responsible and accountable for transforming both domestic and external resources into results, without being undercut or undermined through fragmented aid implementation modalities operating outside or on the margins of those institutions. It puts national governments and administration more clearly in the driving seat for the implementation of their policies.

## Improved joint sector dialogue

GPE supports partner countries in setting ambitious goals through sound national education sector policies and strategies rooted in data and evidence. Increased domestic financing, coordinated resource allocation through the national budget and the transformation of national systems are critical in reaching those goals. Assigning the execution of external financing to national systems through an aligned aid modality offers the opportunity to better understand the functioning of national institutions and identify the regular operational challenges that they face. This better structural connection with national systems can considerably improve the transparency, relevance and quality of joint sector dialogue. This not only benefits national and development partners providing the aligned financing but also gives critical information and access to the wider education stakeholders in the policy dialogue, with a joint sector dialogue framework that is well organized and inclusive.



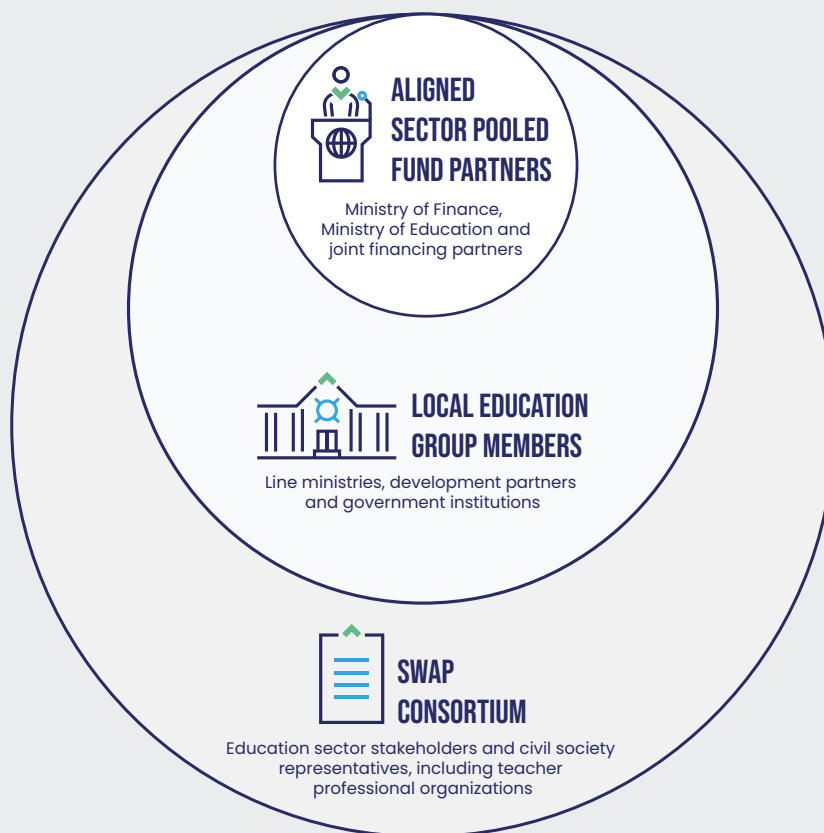
Wayalghin Primary School in Ouagadougou, Burkina Faso.  
GPE/Olivier Badoh

## BOX 3. THE JOINT SECTOR DIALOGUE IN NEPAL AND NIGER

In **Nepal**, the joint sector dialogue is structured to encompass differentiated partners and dialogue, within an inclusive sector-wide umbrella. The diagram below illustrates the aligned pooled fund partnership at the core, fully aligned with the national budget and public financial management systems—but within the local education group membership, which in turn is part of the broader sector-wide approach consortium (SWAp), inclusive of education stakeholders and civil society.

The aligned sector pooled fund, positioned within national systems, and the joint policy dialogue have brought critical focus on government plans and budgets, issues in resource allocation and implementation, as well as important national reforms such as decentralization. This structural core in the dialogue arrangement has benefited all partners and stakeholders.

### NEPAL’S JOINT SECTOR DIALOGUE



**Niger** has a similar approach to joint sector dialogue, with a memorandum of understanding (*cadre partenarial*) bringing together partners and stakeholders. An aligned sector pooled fund (the *Fonds commun sectoriel de l'éducation*, FCSE), functioning as an aid-on-budget mechanism, became operational in 2018 and has encouraged strong dialogue on the strategic and operational functions of the education system. A detailed operational manual for the pooled fund was developed that codifies national operational planning for education, together with public expenditure, accountability and reporting procedures.

The operational manual links both on-budget resources at the core (the regular national budget and the aligned pooled fund earmarked budget) and off-budget resources (projects operating outside of national budget systems). This has increased the transparency in resource allocation across the sector and the quality of the dialogue. One critical benefit was the timeliness of the education operational planning process from 2019, as the pooled fund procedures require that all planned on-budget and off-budget resource allocation be validated through the joint sector dialogue before any expenditure under the pooled fund can be authorized. This contrasted with preceding years when the annual operational plan was delayed and was not comprehensive.

## Supporting funding at scale with better absorption of external resources

Education systems must better serve an increasing number of children and students. This requires more funding and reliable allocation of resources to education establishments, with the required controls and backstopping for effective and efficient implementation. To meet these challenges GPE encourages all countries, which are at the forefront of mobilizing the lion's share of financing to education through domestic financing, to allocate increased resources for education more equitably and more efficiently. But external funding also has a role to play, to support more financing at scale, provide catalytic support in the transformation of national budgets and systems, and thereby accelerate results.

Aligned modalities are well suited to provide additional funding at scale, at a lower cost than traditional, unaligned modalities. This is possible by making full use of the considerable bandwidth of national PFM systems, which cover expenditure needs for the whole country and every education establishment within it. Through an aligned modality, external aid can therefore be configured to the scale of the challenges in the education system and considerably increase the effectiveness and absorption of external resources. This is particularly the case for aligned sector pooled funds, which provide funding through national systems at a sector-wide scale. In 2019/2020, the absorption rate of GPE funding contributions executed through aligned pooled funds was almost twice that of GPE funding through nonaligned modalities, controlling for differences in GPE country grant allocations.<sup>9</sup> By combining this absorption capacity with multiple donor contributions,<sup>10</sup> aligned sector pooled funds can reach high levels of financing and implementation (table 1).

9 GPE, *Results Report 2020*.

10 Successful aligned modalities, achieving increasing levels of absorption over time and sound fiduciary management will tend to attract a growing number of donors.

**TABLE 1: EXAMPLES OF ALIGNED SECTOR POOLED FUND DONOR PARTICIPATION AND EXPENDITURE**

Aligned sector pooled fund	Number of participating donors, including GPE Fund	Average annual expenditure (USD)*
Burkina Faso	6	33 million
Mozambique	9	67 million
Nepal	9	127 million
Niger	5	23.5 million

\*Averages of annual pooled fund expenditure over several years.

## Supporting critical cross-cutting national reforms in the education sector

Cross-cutting national reforms aim to improve the implementation of public policies in all economic and social sectors.<sup>11</sup> These reforms are referenced in national development plans and also often in education sector plans. They typically include decentralization of administration, devolution to

local government and PFM reforms. The alignment of aid with national systems allows a clearer structural connection to those cross-cutting reforms and the broader national institutions and processes that carry them. This structural positioning of aid allows opportunities to leverage the implementation of these reforms for the education sector, through direct access and policy dialogue with those institutions, through results-based financing or, in the case of an aid-on-budget modality, by earmarking additional resources in the budget to accelerate reforms.



Escola Primária Completa de Guaraguara II in Buzi District Sofala Province, Mozambique.  
UNICEF/Maria Dulce Brites

<sup>11</sup> Cross-cutting national reforms are those that generally apply across all sectors of the public service.

## BOX 4. SUPPORTING CROSS-CUTTING NATIONAL REFORMS IN EDUCATION: BURKINA FASO AND MOZAMBIQUE

In **Burkina Faso**, the education pooled fund contributes to the implementation of cross-cutting government reforms in public administration, decentralization and public financial management. A results-based financing indicator through GPE's variable part grant contribution incentivizes a reduction of the operating costs of the central administration and concomitant increased resources to frontline education services provided by decentralized Ministry of Education units and schools.

These "resource allocation" targets for the national budget are then linked to service delivery indicators for in-service teacher training in early primary and improved learning environments in the classroom. Other reforms are encouraged, including more resources through local government to accelerate school construction, but they still need to be fully leveraged through the earmarking of the pooled fund resources. This could also considerably increase the absorption performance of the pooled fund.

Burkina Faso is going through a security crisis that has its roots in complex national and regional dynamics, played out over the last decades. The cohesion and legitimacy of the state is being challenged by extremist militancy. One structural answer is to increase the credibility of the state to effectively deliver education services to remote areas and populations that may have felt insufficiently supported in the past. These remote areas can

become fertile breeding grounds for militant indoctrination and recruitment. Reducing perceptions of resource capture at central levels and increasing decentralized resources is part of the current incentives of the pooled fund.

In **Mozambique**, the education sector has taken the opportunity of cross-cutting national reforms to decentralize and is now seen as one of the most decentralized sectors. A substantial improvement in implementation and accountability across the public sector is also expected with the recent introduction of program-based budgeting by the Ministry of Economy and Finance. The memorandum of understanding of the Education Sector Support Fund (*Fundo de Apoio ao Sector de Educação*, FASE) explicitly provides for a focus on these high-priority reforms, with task forces set up and high-level monitoring of results.

The support fund and its partners have made a substantial contribution to the reform process, including collaboration with the Ministry of Economy and Finance and supporting the strengthening of plan and budget links in the sector, attention in the joint dialogue structure, the earmarked financing of key priorities and the provision of resources for capacity development and monitoring. Ensuring resources are effectively channeled to local levels and schools and, in the case of GPE's variable part contribution to the support fund, incentivizing this through results-based financing.

## Building national capacity for improved service delivery

The ultimate challenge and prize of capacity-building is to transform education systems to deliver more and better education services at scale.<sup>12</sup> Many developing countries still fall short in the implementation of their policies to build enough classrooms, train and support enough teachers, assure plentiful school supplies or support the most vulnerable in light of the growing number of children to be educated. While appropriate education policies

and strategies are mostly in place, weaknesses in education service delivery are often rooted in issues around the allocation of resources under the national budget, their coordination and effective implementation toward results. Aligned modalities offer unique opportunities to address the national capacity gaps in service delivery. Fully realizing this potential requires a clear diagnostic and baseline of service delivery deficits, a deeper understanding of underlying structural causes and then explicitly targeting improvements through the joint financing agreement of the aligned modality.

### BOX 5. BUILDING NATIONAL CAPACITY FOR IMPROVED SERVICE DELIVERY: NEPAL AND BURKINA FASO

In **Nepal**, the joint financing partners of the pooled fund supporting Nepal's 2016–2023 School Sector Development Plan (SSDP) have a joint agreement with the government that lays out the conditions for disbursements, combining SSDP program-based financing and results-based financing. Key enabling reforms bring the structural challenges of education service delivery into focus, notably public financial management reforms for effectiveness and efficiency in delivery and the major adjustments required for the devolution and decentralization of education planning and management following the new constitutional mandate of 2015.

The results-based portion of the financing brings incentives-based leverage on several service delivery issues through 10 thematic areas, ranging from the rollout of the new national early grade reading program to improved governance and fiduciary management of schools and local government. The deployment of the early grade reading program is linked to a 2.2 percent targeted increase in third-grade reading fluency and comprehension scores. Several indicators focus on incentivizing local governments to reinforce their service delivery and oversight mandates, including the effective release, accounting and reporting of conditional grants to schools to cover teacher salaries, textbooks and school operational expenditures.

12 Capacity-building is the improvement of an organization's capability "to produce, perform or deploy" (Merriam-Webster.com Dictionary, s.v. "capacity [n.]," accessed July 22, 2021, <https://www.merriam-webster.com/dictionary/capacity>).

**Burkina Faso** has identified critical gaps in service delivery, including the timely procurement and distribution of school textbooks and the construction of classrooms. School textbooks have often been distributed late in the school year, resulting in children having to share old textbooks or in some cases do without them. The education sector plan has indicated that more than 3,000 classrooms need to be built every year to close the current gap in classrooms and service the growing school population; this compares to a historical capacity for school construction averaging 1,000 per year.

To push the transformation of system capacity, the government and pooled fund partners agreed to results-based financing targets for the timely delivery of textbooks in early primary and to encourage the earmarking of pooled fund resources

toward local governments to significantly increase the bandwidth and capacity for school construction. The government and pooled fund partners also agreed to incentivize more decentralization of national resources toward frontline service delivery institutions and to increase resources for in-service teacher training to boost learning outcomes.

The worsening security crisis has created major additional difficulties in service delivery, but it also highlights further the importance of equitable resource allocation reaching marginalized communities. The pooled fund contributes to the financing of systems resilience during the crisis, including the provision of emergency education services for internally displaced families in host schools.

Seeking the most effective leveraging effects is always a challenge and requires regular monitoring and recalibration. A critical element is the proper balancing of accountabilities under the national budget and national systems with

the accountabilities from donors to their own governments and taxpayers. Sound risk and fiduciary management is essential, without which any commitment and leverage on systems strengthening cannot be sustained.



# DEVELOPING AN ALIGNED MODALITY/SECTOR POOLED FUND

## Initial understanding and commitment toward alignment, early identification

Going from an unaligned approach in development cooperation to an aligned financing modality is the result of an exploratory journey that partner countries and development partners undertake together. A common understanding and commitment are important to achieve this change. It is often facilitated by early identification of the structural limitations of current approaches to development cooperation in the national context and the opportunities offered through alignment. This analysis is complemented by a review of the education sector in terms of sector policy and strategy, medium- and short-term operational planning, implementation and service delivery capacities, joint sector dialogue and core structural reforms for the sector.

## Anticipation or risks, choice of type of aligned modality

This early identification of structural limitations should anticipate some of the risks that will need to be managed, dependent on the relative strength of a country's PFM systems. There are useful internationally comparable ratings that can be used for this, such as the World Bank's Country Policy and Institutional Assessment (CPIA)<sup>13</sup> index, in particular its cluster of indicators covering "Public Sector Management and Institutions" (CPIA/D). Specific national analytics are often used depending on their availability, including public expenditure

and financial accountability (PEFA)<sup>14</sup> or fiduciary risk assessment. However, the early analysis of risk should not undercut the will to move toward alignment but rather underscore the core principle of alignment: to manage risks associated with national systems rather than bypass them.

The analysis of the country's PFM context leads to the selection of the most appropriate aligned modality, based on the perceived strengths and weaknesses of national systems, including the level of fiduciary risk that is acceptable for participating development partners. A review of the GPE Fund portfolio suggests that at the upper levels of a CPIA/D rating—above 3.0, and certainly at or above 3.5—full sector budget support can be contemplated. At lower ratings for CPIA/D—particularly if these are also linked to low ratings on CPIA/indicator 16 (Transparency, Accountability & Corruption in the Public Sector)—aid on budget or ring-fenced/earmarked budget support might be the preferred option.

## Ambition and realism

Alignment will not be possible in all circumstances or may take longer to achieve in some contexts. Typical circumstances where alignment is unlikely will be in countries with very weak PFM systems or in countries in situations of deep fragility or high-intensity conflict. For example, countries with CPIA/D ratings at 2.5 or below<sup>15</sup> denote particularly challenging contexts where alignment, while always possible, may not be a realistic expectation. In addition, there may be situations where the availability of development partners able or willing to support aligned modalities for the education sector is simply missing. Each

13 Country Policy and Institutional Assessment (data set), World Bank Data, <https://datacatalog.worldbank.org/dataset/country-policy-and-institutional-assessment>.

14 Public Expenditure and Financial Accountability program, <https://www.pefa.org/>.

country context is unique, as well as the appetite and ability of development partners to support aligned modalities and the political will from the government to welcome strategies for reforms and improved

risk management. Realism needs to be maintained while still maintaining a high level of ambition for development cooperation to work better for the education sector.

## BOX 6. BALANCING AMBITION AND REALISM: SENEGAL, NIGER AND MOZAMBIQUE

With a CPIA/D rating of 3.5, public financial management in **Senegal** is considered to offer sufficient fiduciary guarantees for external aid partners, including GPE funding, to provide sector budget support, with direct disbursement to the country's single treasury account. This allows the dialogue and financing agreement to fully focus on core reforms and incentivize improvements in system strengthening for better service delivery. Safeguard clauses related to disbursements are included in the event that the country's PFM performance is downgraded.

**Niger** has a CPIA/D rating of 3.1. Country system evaluations highlight progress in public financial management but also weaknesses and institutional capacity deficits in a challenging security and environmental context. The choice was

made for an aid-on-budget education sector pooled fund, segregated from domestic resources in the national treasury and traceable as distinct appropriations in the budget and annual finance law. This choice was driven by fiduciary considerations, but it is also to provide additional funding that would be less subject to the cash flow tensions that can occur with the regular national budget and single treasury.\*

**Mozambique** also has a CPIA/D rating of 3.1. The sector pooled fund operates as an aid-on-budget mechanism, with ring-fenced resources that are then earmarked annually in a joint discussion between government and pooled fund contributors, as part of the annual planning and programming process for the sector.

\* Cash flow tensions on the regular national budget occur because of reliance on government revenue (through taxation and other sources) to gradually come into the single treasury. The opening of budget lines for implementation and expenditure has to be deferred throughout the year in line with the availability of funds. This can lead to late releases, or even cuts for spending units.

## Formulation process and detailed management of risk

The formulation process involves evaluating, in more detail, various risks that will arise from the implementation of the aligned modality, and how best to manage them. Three types of risk are typical: operational risk, fiduciary risk and strategic risk. Operational risk is the occurrence of constraints to carrying out activities for which funding is planned, resulting in reduced rates of implementation and absorption. Fiduciary risk is characterized by irregular expenditure, which does not comply with good PFM rules and practices. Strategic risk covers the risks of not adequately leveraging the potential of an aligned modality for systems strengthening, or in some cases creating unintended or negative effects on systems. One strategic risk that is often considered is the risk that external funding displaces existing or future government commitments for the education sector. This stems from the expectation that external funding for the education sector should provide additional funding, on top of regular government resources. This risk of non-additionality is a complex issue,<sup>16</sup> but it needs to be evaluated and sensibly managed. Anticipation of all the above categories of risks is required and needs to be regularly reviewed.

Three approaches to risk management are typical and combined to be mutually reinforcing: a procedural approach, technical capacity support and joint dialogue. The procedural approach to risk management aims to formalize and clarify national rules to strengthen their application. This may also involve developing additional processes, to strengthen controls on expenditure that may be considered insufficient. This is particularly relevant for aid-on-budget mechanisms because of their ring-fenced and earmarked nature. The second approach focuses on technical capacity support, with the deployment of technical expertise to support national implementation. Better practice points toward the flexible deployment of expertise in a supporting role of government human resources, but not in substitution of their functions and responsibilities, which would undermine the very principle of alignment. The third approach to risk management is through regular monitoring, external reviews and joint technical dialogue to reassess the mechanism and its expected leverage on systems strengthening. This dialogue should be regulated and organized through a memorandum of understanding or joint financing agreement, which also includes agreed conditions for disbursements. Lastly, because of the higher profile of aligned modalities, notably with higher levels of financing and absorption, there needs to be a strong capacity for high-level policy dialogue to ensure continued commitment at the highest levels of government and donor representations.

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<sup>16</sup> Government expenditure can and often does fluctuate in response to evolving or cyclical circumstances that affect the country or specific sectors. As a result, additionality of external aid, across many different sectors and thematic areas, can be difficult to benchmark with precision. Additionality is often best addressed through sound sector coordination, joint monitoring and dialogue, in line with sector planning and incentives supporting PFM reforms to increase the availability and timely release of budget lines for the education sector.

## BOX 7. MANAGING RISK: NIGER, NEPAL AND BURKINA FASO

In **Niger**, the Education Sector Common Fund (Fonds commun sectoriel de l'éducation, FCSE) manages risk through the segregation of its accounts (aid on budget or ring-fenced budget support), the traceability of earmarked fund budget lines within the national budget, and additional oversight and control arrangements. These include non-objections by the development partners on procurement, independent expertise to support implementation and financial management by the ministries of education and finance, annual financial audits, twice-yearly financial advisory audits and annual technical audits. The additional audits are to ensure that any fiduciary or implementation issues are identified and addressed quickly. Weaknesses in public accounting also led to the establishment of an auxiliary accounting system maintained through a delivery unit at the prime minister's office supervising implementation by the ministry of education.

The implementation arrangements are detailed in an operational manual that covers national public financial management expenditure processes from annual planning to budgeting, financial management, procurement, accounting, implementation at central and decentralized levels, and reporting. The operational manual connects these PFM processes and additional proprietary control procedures for FCSE expenditure to the broader processes of sector-wide planning and reporting—covering both on-budget and off-budget expenditures—as

well as joint sector dialogue arrangements. This ensures that FCSE planning, expenditure and reporting processes do not occur in a silo but strategically link to, and leverage, improved resource coordination across all domestic and external sources of funding.

In **Nepal**, fiduciary risks are addressed by an initial assessment and regular monitoring of performance of the national budget through the Fiduciary Management Action Plan. This action plan was developed at the start of the School Sector Development Program (SSDP, 2016–23) based on a joint risk assessment and is reviewed annually. It has six dimensions of fiduciary risk management: (i) planning and budgeting, (ii) budget execution, (iii) procurement, (iv) internal control, (v) accounting and financial reporting and (vi) external oversight and audit.

The Office of the Auditor General undertakes annual audits of the SSDP. These audits review statements of the education sector budget lines and accounts, in line with International Standards of Supreme Audit Institutions (ISSAIs). Joint financing partners reserve the right to commission additional audits, as and if required. Based on the annual audits, these partners agree on corrective measures with the government, which are then incorporated into the Fiduciary Management Action Plan. Progress against the corrective measures is reviewed during the joint sector reviews. As part of the division of labor and expertise, one joint financing partner is designated as the

financial management focal point. The focal point reviews financial management and audit reports, and then coordinates on behalf of the joint financing partners with the government for the incorporation of related actions in the updated action plan.

The financing partners also mobilize some technical expertise, procured outside of the pooled fund modality (i.e., off-budget). This expertise serves to support monitoring and capacity-building and helps with the management of risks. The volume of technical expertise that is mobilized is estimated at 3–4 percent equivalent of annual financing executed through the pooled fund; this constitutes relatively low overhead costs, particularly in comparison with more traditional, unaligned forms of aid.

The sector pooled fund in **Burkina Faso**, the CAST (*Compte d'affectation speciale du Trésor*, or Special Treasury Appropriations

Account) was developed in 2005/2006 and has been operational since then. In 2016, a joint evaluation of its performance and that of the sector's multiyear operational plan was carried out. The evaluation highlighted fiduciary management issues yet to be fully resolved as well as weaknesses in the pooled fund's potential to support systems strengthening and improved service delivery at scale. This evaluation led to the development of a new and more complete operational manual strengthening the transparency of public financial management processes and additional fiduciary oversight measures for the pooled fund. The new operational manual also emphasizes expenditure processes to increase decentralized and devolved resource allocation, in line with national reforms to increase resources to frontline education services and promote local accountability.



Textbooks were delivered to Escola Primaria Completa de Guaraguara II in Buzi District Sofala Province.

UNICEF/Maria Dulce Brites

Designing an aligned modality takes time and know-how. Unless an existing mechanism already exists, it can typically take two years to identify and formulate an aid-on-budget modality. Budget support is usually less complex to develop and can be done in a year or less. Just like any aid mechanism, once operational, an aligned mechanism requires regular monitoring, adjustments and reassessment to deal with unforeseen situations and lessons learned to optimize its potential. In some cases, a significant recalibration may be required. Aligned modalities are not immune from exogenous events or evolving issues in political economy, and setbacks do occur.

# GPE ENGAGEMENT AND SUPPORT FOR CHANGE

GPE’s core mission is to mobilize partnerships and investments that transform education systems in partner countries, leaving no child behind. The GPE 2025 strategic plan supports system transformation, with coordinated action and financing, aligned behind government priorities, as essential for the sustained transformation of education outcomes. Core country-level objectives of GPE 2025 include strengthening national capacity, driving results at scale and more coordinated action and financing to enable transformative change.<sup>17</sup> Promoting more aligned and coordinated education sector pooled funds at the country level is an important element to help effectively deliver those objectives together with the other three requirement areas of the new operating model.<sup>18</sup>

GPE partner countries have highlighted the importance of development partners committing to alignment and reducing the distortions of government systems that can result from some unaligned development cooperation practices. The new GPE 2025 operating model has responded to this through a strategic shift, with a focus on harmonizing efforts, strengthening alignment and engaging in strategic partnership to help transform education systems. This additional focus on alignment and better partnership will make use of three new operating model components: (i) partnership compact, (ii) system capacity grant and (iii) sector transformation grant.

Partnership compacts serve as strategic frameworks for the partnership engagement in each country, describing transformation priorities within sector policies and plans that will be supported. This will

include how development partners will align their resources and capabilities with system transformation priorities, and the parameters for accessing GPE funding. Each compact will provide an overview of country performance in the new operating model requirement areas, which includes a requirement to review opportunities for better coordinated finance and funding through alignment of aid with national systems.

The system capacity grant expands the scope of GPE’s previous technical capacity grant (the education sector plan development grant). The scope now includes funding to support the establishment and operation of aligned and pooled funding mechanisms, as well as strengthening budget processes and ministry of finance engagement. The grant will also fund—according to contextual needs—analytical work to support sector policy and strategy development, gender-responsive sector planning, improved operational planning and budgeting, system resilience, diagnostics on the efficiency of education expenditure, strengthening of data systems and support for joint sector dialogue.

The system transformation grant will provide the main catalytic financing to support systemwide transformation, with context-driven requirements and incentives in line with each partnership compact. The grant provides partner countries with a base level of financing, part of which is results-based, and the potential for a top-up portion to incentivize improved sector coordination in contexts where the assessment of the requirements indicates needs and opportunities for alignment.<sup>19</sup>

17 GPE, “GPE 2025 Strategic Plan.”

18 (i) Equity, efficiency, and volume of domestic finance; (ii) Sector planning, policy, and monitoring; (iii) Data and evidence (GPE, “GPE 2025 Operating Model Framework”).

19 GPE, “GPE 2025 Operating Model Framework,” 18.

GPE’s renewed engagement builds on the long-standing GPE promotion of effective development cooperation and alignment for the education sector. It builds on the 2016–20 strategy and its results framework, which began tracking the alignment of GPE grants with national systems. The new operating model will also further ground the work of the alignment road map developed by the GPE Secretariat in 2017, including its core actions to clarify and institutionalize GPE’s approach to aid alignment, strengthen the Secretariat’s country support operations to foster change and capitalize on good practices in alignment and sector pooled funds across the partnership.

Optimizing partnerships and the leverage potential of aligned modalities once they are set up is critical, with the aim of maximizing the catalytic benefits of alignment to unlock system bottlenecks and support systemwide financing. GPE embeds monitoring and evaluation in country-level processes and in all GPE instruments to drive systematic learning on the delivery of impact at scale.<sup>20</sup> This includes broader capitalization and knowledge optimization across countries to build a more effective partnership. GPE’s engagement on alignment with national systems will help drive the principles of its Effective Partnership Rollout, including the promotion of greater national government ownership and mutual accountability between development partners and governments to strengthen national capacity for delivery.



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

20 GPE, “GPE 2025 MEL (Monitoring, Evaluation and Learning) Framework” (Presentation, Meeting of the Board of Directors, December 3, 2020), <https://www.globalpartnership.org/sites/default/files/document/file/2020-12-GPE-Board-meeting-GPE2025-presentation.pdf>.

# CONCLUSION

## **Time for accelerating change**

Delaying the transition to more effective aligned aid in partner countries will limit the opportunities for accelerated gains in equity and learning in the years to come and therefore is not an option. Addressing the equity and learning crisis in education requires a concerted effort to support the transformation of national systems. This effort includes accelerating the unique opportunities for systems strengthening through aligned aid. Aligned aid modalities provide opportunities for external aid to step up its support at scale to address the education challenges and leverage improved effectiveness of domestic financing and critical structural reforms.

## **Accelerating change, with sound opportunity and risk management**

To be successful, this aligned approach to development cooperation requires sound methods informed by the unique country context, a well-structured dialogue between governments and

development partners and the ability to learn and adjust. Identification, agreement and management of fiduciary, operational and strategic risks are critical elements in this dialogue. As in all development cooperation endeavors, context and evolving circumstances matter, and levels of success will vary. Difficulties and setbacks will occur, occasionally challenging the ability or the commitment of development partners and developing partner countries to stay the course.

## **GPE supporting the change**

GPE 2025 and its new operating model supports improvements in effective development cooperation for education through more and better alignment of aid with national systems. This will be supported through the broad-based new partnership compacts, with a strong focus on coordinated financing and funding through the use of national systems. GPE supports partner countries, development partners and grant agents in this transition to more and better alignment of aid to accelerate systems transformation and education outcomes for all.



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Cover photo: A teacher and her students in class in Nepal, June 2019.

GPE/Kelley Lynch