

## INEE Reference Guide on External Education Financing

The INEE Reference Guide on External Education Financing is a resource that explains donor education funding strategies and mechanisms. It focuses on external education financing in low-income countries, including those in *fragile situations*. Governments in these situations (crisis, post-crisis or the risk of crisis associated with conflict, natural disaster or challenges to government legitimacy) typically face challenges in delivering core public services, including education.

### Why was the Reference Guide developed?

The Reference Guide was developed by the INEE Working Group on Education and Fragility in response to requests from education specialists for an easily accessible description of the different types of external assistance for education. In particular, it responds to recommendations made by participants at the 2008 INEE Policy Roundtable on Education Finance in States Affected by Fragility. The purpose of the Reference Guide is to enable national decision-makers to better understand:

- what donors seek to achieve in the education sector
- how donors provide education assistance
- the constraints on donor funding
- how various funding mechanisms work
- why donors choose one funding mechanism over another

### What is the Reference Guide?

The Reference Guide is a reference *written from the donor point of view* that explains the design, goals and constraints of existing types of external education assistance. It is not an analysis of the pros and cons of different funding mechanisms, nor is it a “how to” guide that helps education ministries more successfully apply for external education assistance.

### Who will benefit from reading the Reference Guide?

National education policy-makers will gain a better understanding of funding mechanisms, making them better able to navigate country-donor relationships.

Nongovernmental organisations (NGOs) and other civil society organisations, together with local education donor groups and their education partners, may increase their knowledge of donor goals, strategies and funding mechanisms in the education sector. As a result, they may become more effective at holding governments and donors accountable for the use of external education funding.

The Inter-Agency Network for Education in Emergencies (INEE) is a global network of representatives of NGOs, UN agencies, donor agencies, governments, academic institutions, schools and affected populations that work together within a humanitarian and development framework to ensure that all people have the right to a safe, quality education in situations of emergency and post-crisis recovery. The INEE Working Group on Education and Fragility seeks to strengthen consensus on how education helps mitigate fragility while ensuring equitable access for all; support the development of effective quality education programmes in fragile contexts; and promote the development of alternative mechanisms to support education in fragile contexts during the transition from humanitarian to development assistance.

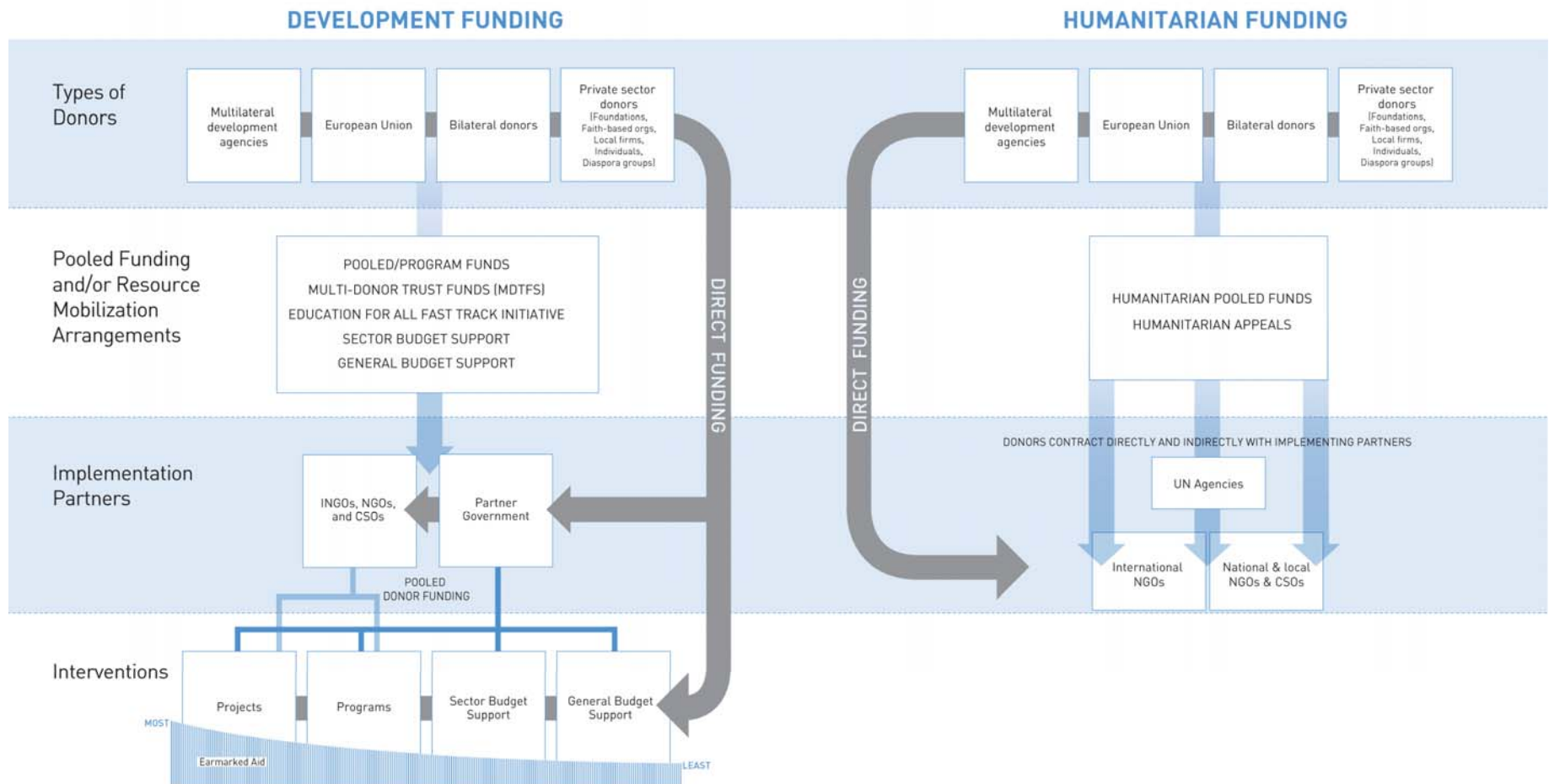
For more information on INEE and the Working Group, visit <http://www.ineesite.org>.

# Overview of External Education Financing

The figure below, taken from the Reference Guide (Figure 1), provides a visual picture of how external education funding flows to partner countries. Humanitarian assistance, shown on the right side, primarily concerns resource mobilization in response to a crisis. Development assistance, shown on the left, is mostly directed to governments, longer in term, and requires considerably more time to develop and design (e.g., sector and general budget support both involve long negotiations and detailed agreements on how to monitor the use of funds).

Figure 1

## Overview of External Donor Funding Mechanisms



# Content of the Reference Guide on External Education Financing

## Part I: How Donors View Education Funding

Part I explores *how donors view the education needs of low-income countries and the ways in which donors seek to meet those needs*. The text reviews donor goals and strategies in the education sector, as well as “good donor practice” (i.e., the principles of aid effectiveness, good humanitarian donorship and good international engagement in fragile states and situations).

Part I also looks at *constraints to good donor practices* in the education sector, which include weak government capacity, limitations on available donor funding mechanisms, political factors, accountability for the use of funds, and the difficulty of providing transition funding given the division of external aid into the categories of humanitarian relief and development assistance.

## Part II: What Organisations Fund and Deliver Education Services?

Part II defines the *various organisations that fund education (donors) and deliver education services (service providers)*, including partner governments, bilateral and multilateral donors, global education initiatives, private sector donors, and international and local NGOs. Part II also explains how donors work together—both internationally and at the country level.

## Part III: Funding Mechanisms that Support Education

Part III summarizes *the principal funding mechanisms for education*, their objectives, how they are funded and how they work (i.e., delivery mechanisms, disbursement and reporting requirements, etc.). It distinguishes between funding that is “pooled” between donors, funding that is delivered directly by donors, and the various implementation partners used by donors (i.e., partner governments, NGOs). Mechanisms outlined include:

<i>Type of assistance</i>	<i>Funding mechanism</i>
Humanitarian assistance	<b>Humanitarian pooled fund:</b> assistance for a given country or region that is donated by multiple bilateral and multilateral donors to support an ongoing emergency, prevention and early recovery activities. Funds UN agencies, INGOs and local NGOs; in some cases, funding passes through UN agencies to NGOs.
	<b>Humanitarian appeal:</b> fundraising mechanism designed to attract contributions from multiple bilateral and multilateral donors for emergency humanitarian assistance in a given country or region. Appeals are used to support humanitarian activities either in the immediate aftermath of an emergency or during longer-term protracted crises. Funds go directly to implementing agencies (UN agencies, INGOs and local NGOs)
	<b>Project support:</b> Funding for specific projects in a given country or region provided through a humanitarian appeal or humanitarian pooled fund. During a humanitarian crisis, project funding is also frequently provided directly by bilateral donors, multilateral donors or non-state actors

<i>Type of assistance</i>	<i>Funding mechanism</i>
<b>Development assistance</b>	<b>Project support:</b> Development assistance provided for specific projects in a given country or region by bilateral, multilateral or non-state actors. The most common form of external assistance to low-income countries, particularly among bilateral donors.
	<b>Programme support:</b> Donor funding that supports a specific sector programme and is often seen as a step towards sector budget support. Programme support can work within a government-led framework or outside of it.
	<b>Pooled funding</b> is provided by multiple donors to support a humanitarian action plan, a project, programme, sector or general government budget. One global pooled funding arrangement is the <i>Education For All Fast Track Initiative (EFA FTI)</i> , which offers support to low-income countries seeking to achieve universal primary completion by 2015. EFA FTI operates two funding mechanisms: the Education Program Development Fund (EPDF) and the Catalytic Fund (CF). At the end of 2010 both Funds will merge in a EFA Single Fund covering the support to partner countries on capacity development, policies and analysis, and sector plan implementation.
	<b>Multi-donor trust funds (MDTFs):</b> a type of pooled fund that collects monies from multiple donors and disburses them through different channels, including budget support and project funding. Disbursements are conditioned on fiduciary standards and performance measures.
	<b>Sector budget support (SBS):</b> funding provided by bilateral and multilateral donors—either separately or jointly—to the education sector budget of a government. Funds are disbursed through the national treasury, based on a government-elaborated education sector strategy that is accepted by the donors.
	<b>General budget support (GBS):</b> funding provided by bilateral and multilateral donors—either separately or jointly—to a government’s overall budget. Funding is channelled through the national treasury, with disbursements typically conditioned on agreed conditions outlined in a performance assessment framework or a given country’s Poverty Reduction Strategy Paper.
<b>Debt relief:</b> redirecting government monies away from debt repayment to poverty-reducing expenditures, such as education service delivery (especially activities to achieve the Millennium Development Goals). Available only to countries eligible for the Heavily Indebted Poor Countries initiative of the International Development Association of the World Bank.	

Part III defines each mechanism and outlines: its aims; the context in which it may be utilized; the implications of its use for good donor practice; its targeting capacity; relevant governance issues; potential transaction costs and challenges; and anticipated results.

## Annexes

Annex 1 provides **brief case studies** that describe the choice and implementation of funding mechanisms in specific countries.

Annex 2 offers **additional reading and resources** on external education financing, particularly in fragile situations.

Annex 3 is an **illustrative list of the various organisations**, including donors and implementing agencies, involved in the funding and delivery of educational services in low-income countries.

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For more information and additional resources, visit <http://www.ineesite.org/financing>.