

Effective Aid Modality for Funding “Soft” Investments and Global Public Goods in Education: The Norwegian Education Trust Fund (NETF)¹

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Abstract

Many donor countries have established special “Trust Funds” located in international agencies to fund analytical work, policy development and various types of regional and global public good functions in the education sector. This article describes one such Fund -- The Norwegian Education Trust Fund (NETF) -- set up by Norway in 1998 and managed by the World Bank. Over its ten years existence, the Fund disbursed US\$46 million to support analytical work, policy formulation and preparation of education sector program in Sub-Saharan African countries as well as a variety of regional activities benefitting these countries. This article describes the rationale for establishing this Fund, what it financed and why, what it achieved, and what lessons can be drawn with respect to the use of this type of mechanism to provide targeted support of this type.

Introduction

This special issue of the JICE explores ways of increasing the effectiveness of education aid through more strategic use to enhance the aid’s catalytic impact on national as well as international education development goals. For *individual countries*, this means rethinking the distribution of aid between different levels and types of education as well as between different purposes to ensure that adequate attention is given to various types of “soft” investments, such as analytical work, piloting innovations, policy development, and capacity building. At the *international level*, this means reassessing the rationale for the very unequal distribution of aid among countries, as well as giving higher priority for support to develop and maintain partnerships, networks, and institutions producing regional and global *public good functions* in the education sector. This latter includes using more aid for, for example, conducting and/or synthesizing national education research and good practices experiences and making these internationally available; supporting forums and networks for regional and international dialogue and knowledge

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exchange on education policy issues; and promoting capacity-building, technical support, and peer learning through south-south/south-north technical cooperation.

The Overview article at the start of this publication discusses key factors constraining aid allocation to these types of activities. Suffice it to underline here that there is little concerted international effort to monitor the aid allocation by education sub-sector, purpose, or country resulting from these processes. This is in particular the case for the allocation of aid to “soft” investments at the country level and, especially, to partnerships, networks, and institutions producing regional and global public good functions. The limited attention paid by the international education aid community to these latter aspects of aid allocation is of great concern at a time when rapid globalization, greater international “openness”, and the ICT revolution have radically increased the scope for drawing positive “cross-border externalities” from national good practices and technical expertise, turning these into potential global public goods.

However, despite the less than stellar track record of the international aid architecture in addressing global aid allocation and utilization issues, some individual donor countries have tried various mechanisms to address the type of funding issues highlighted above. One approach is to channel some of their ODA through special “Trust Funds” located in international agencies and earmarked for various “soft” investments and public good functions. Japan, the Netherlands, Norway and the UK are among the donor countries that have shown particular willingness to take this step, by establishing Trust Funds managed by the World Bank or other agencies such as UNICEF, UNDP and UNESCO, to support the development of knowledge, policy, and capacity at the national, regional, and global levels. The Fund that is the subject of this article – The Norwegian Education Trust Fund (NETF) – is one particularly notable example². This article describes the rationale for setting up this Fund, what it financed and why, what it achieved over its approximately ten years of existence, and what lessons can be drawn with respect to the use of this type of mechanism to target national and international “soft” investment in the education sector.

Rationale for establishing the NETF

The NETF was established in January 1998 following an agreement between The Norwegian Ministry of Foreign Affairs (NMFA) and the Africa Region Human Development Department (AFTHD) of the World Bank. The Fund’s main aim was to help Sub-Saharan African countries (SSA) address factors that since the early 1980s had stalled the strong progress towards Universal Primary Education (UPE) achieved during the 1960s and the 1970s. For example, despite an almost doubling of the school-

² Norway has been particularly generous in setting up this type of funds, often at the World Bank. Over the past three decades, Norway has used such funds to support analytical work, policy development and various other types of capacity-building in most sectors key to national development, environmental protection, and poverty reduction, with a special focus on the social sectors, including education.

age population between 1960 and 1980, SSA’s Gross Enrollment Ratio (GER) in primary education grew from about 45% in 1960 to 80% in 1980, almost quadrupling enrollment. However, the next 20 years were marked by stagnation and decline in many countries. The GER declined from 80% in 1980 to 72% in 1992, and was only slowly increasing, reaching about 77% in the school-year 1997-98, the year the NETF was established.

The establishment of the NETF was based on the conviction that a combination of low political commitment to primary education, poorly designed policies, and weak institutions played a determining role in causing this setback in the progress towards UPE. The negative impact of these factors was reinforced by deteriorating economic conditions, causing stagnation in public education budgets and rising school fees. These developments caused serious concerns for both the NMFA and the World Bank. Quality basic education for all was considered a pre-requisite for achieving poverty reduction, which was the overarching objective of both institutions’ development assistance. Therefore, education stagnation was seen as having wide-ranging negative impacts on the effectiveness of development assistance to all sectors and, more generally, on the Region’s ability to address deteriorating economic and social conditions.

The mutual dependency between education and economic development also meant that resumption of economic growth was considered crucial to generating the public and private funding needed to resume education growth, to provide the employment sought by graduates and, more generally, to derive the full development benefits of education investments. In turn, this would require better macro-economic policies, more stable political environments with open participatory processes, improved business climate, and well-functioning labor markets. Weaknesses in these areas had reduced the development impact of the education investments that governments, parents, and external partners had made during the 1980s and 1990s.

However, from the end of the cold war in the early 1990s, SSA started to make progress in terms of better macroeconomic policies and more open and participatory political processes. Given these developments, and the conviction that the impact of education aid depended crucially on improved education policies, the team managing the World Bank’s support for education in SSA believed that the opportunities for development partners to support the type of education reforms required to resume education growth had improved considerably by the mid-1990s. But preparation of such reforms would require a major effort on the part of SSA countries, both in terms of *improving the technical quality of their education policies and programs and developing a broad national consensus on the policies adapted to increase their likelihood of implementation*. Major improvements in these two areas were considered by both the NMFA and the World Bank to be essential to break out of the cycle of education stagnation. But to achieve such improvements required stronger institutional capacity in most countries. Severe budget constraints had prevented countries from maintaining the basic education planning and management capacity developed during the first two decades after independence. And the political economy of education reform, often difficult in the

best of circumstances in poor and rich countries alike, had in many ways grown very difficult during the long period of economic decline. Therefore, in addition to building technical expertise to develop high-quality sector programs, ministries of education needed also to strengthen their ability to develop national consensus on these programs to facilitate their implementation.

In short, by the mid-1990s, conditions for breaking the vicious cycle of education stagnation in SSA were improving. *The main rationale for establishing the NETF was to provide flexible funding to facilitate this process.* The new government that was elected in Norway in 1997 had made education a development policy priority, and the new Minister of Development Cooperation declared that education was “Job No 1” and established a target of allocating 15% of Norwegian ODA to primary education. The new government also had a positive attitude to cooperation with the World Bank, realizing that the Bank was the only global institution with the analytical capacity necessary to take on this work, and that the new president of the Bank, James Wolfensohn, had a strong commitment to the reform process. From a broader perspective, NETF could therefore be seen as supporting the evolution of the Comprehensive Development Framework and, later, the Poverty Reduction Strategy Papers (PRSPs).

Summary of content of programs supported by the NETF³

About US\$46 million was disbursed from the NETF during its approximately ten years of existence in support of the Fund’s overarching objective: *To support the preparation of high-quality, sustainable, and nationally-owned education sector development programs.* Such programs were considered to constitute the foundation for the national institutional processes in the education sector by providing the mechanisms through which governments plan, negotiate, and solve problems on a continuous basis. These programs should, in turn, be integrated into other core government frameworks such as the annual budget, the national development plan and poverty reduction strategy, and the medium term expenditure framework.

Within this general framework, the NETF provided *targeted funding* in support of three interrelated objectives:

(a) Promoting regional knowledge generation and sharing

At the time of the creation of the Fund, a fair amount of external financing was available for SSA countries for the preparation of investment programs in areas such as civil works, teacher training, and pedagogical inputs⁴. However, then (as now) this

³ This section draws on the last Annual Report prepared for the annual consultations on NETF implementation between the NMFA and the World Bank, organized in Oslo in October 2005 (World Bank 2005, pp. 4-6).

⁴ For example, by pre-financing such work via IDA credits under preparation through the IDA “Project Preparation Facility” (PPF).

was generally not the case for “soft investments,” such as multi-country knowledge-sharing activities through (i) synthesizing lessons learned from ongoing reform efforts in developing countries, including identifying barriers to education growth and knowledge on the effectiveness of various measures in different national contexts; and (ii) promoting “per learning” through knowledge-sharing and cooperation among education politicians and practitioners in African countries. These types of activities were considered especially important in SSA at the time that the NETF was established because many of the policy reforms necessary to address the factors causing stagnation were perceived as controversial, and evidence in their support was often poorly documented and presented.

The NETF supported the aforementioned types of activities by funding the preparation of *regional studies and strategies* with work mostly organized around *targeted focus areas* (see below) that had been identified as representing major constraints on achieving UPE. Much of this work was led by 4-6 specialists funded under the NETF and mostly located at the World Bank⁵, generally working in close cooperation with other institutions but especially with technical staff in the concerned countries. As further discussed later, one of the guiding principles for allocation of NETF funds was to promote implementation approaches that would help build national capacity.

The outcome of this work proved particularly useful in stimulating discussions on essential policy reforms among African policymakers as well as with their external partners. The most prominent programs led by the World Bank included:

- Analytical work to underpin preparation of sector programs, resulting in the preparation of “Country Status Reports” documenting the current education situation and exploring options to accelerate education growth. To build capacity and ownership, these reports were prepared in close cooperation with national teams.
- Major work programs on, respectively, “Education and HIV/AIDS”; girls’ education; literacy; skills development; and tertiary education. These included both regional and country-specific studies as well as technical support to countries to help formulate policies and develop programs in these areas.
- A major studies program on “Secondary Education in Africa” (SEIA), including three all-African conferences.
- Analytical work and, especially, development of a multi-agency network on ECD, and support for two all-Africa conferences on ECD⁶.

Areas of work led by other partners include: “Education Quality” led by the Association for the Development of Education in Africa (ADEA), development of an

⁵ The NETF also funded some long-term consultants to support such work, located at UNESCO’s Paris and Dakar offices, as well one specialist located in a World Bank country office in East Africa to support countries in developing programs to address HIV/AIDS issues in the education sector.

⁶ Refer to the article by Garcia and Pence in this publication.

“Essential Learning Package” led by UNICEF, work on teachers conducted in cooperation with ADEA and Education International (the Global Federation of Teacher Unions), preparation and organization of an all-African conference on literacy conducted by the UNESCO’s Institute for Life-long Learning (UIL), and work on developing a framework for collecting statistics on disabled children led by the OECD. Smith and Addy (2007) lists 117 national and regional studies published with support from the NETF⁷. Many of these fed into the partnership and consensus-building activities discussed below. About 19.8% of NETF’s resources were used in support of this objective.

(b) Strengthening political commitment, consensus and ownership

Part of the rationale for establishing the NETF was to help enhance the level of political commitment and consensus considered essential to advancing the type of reforms needed to accelerate the progress towards quality UPE. Political commitment is manifested in resolve by key political leaders, as well as in consensus among key stakeholders on priorities and on the key programs to be implemented to translate these priorities into actions on the ground.

At the *country level*, the NETF funded activities aimed to promote dialogue among different agencies within the government as well as between government agencies and key stakeholders outside the government, such as teacher unions, parents, and local communities. At the *regional level*, NETF supported dialogue and knowledge-exchange among African countries as well as with countries in other regions⁸, and among them and their development partners in order to deal with education development issues in a comprehensive and holistic manner.

The NETF supported the above type of activities by funding networking, partnerships, and knowledge-sharing activities such as regional and sub-regional seminars, workshops, and conferences. These activities aimed to help: (i) define and formulate policies and strategies for technically sound and financially sustainable programs; (ii) promote knowledge-sharing among countries about lessons learned in implementing such programs; and (iii) facilitate dialogue among key national education stakeholders to build consensus on the reforms required. Examples include support for key African regional partnerships such as ADEA (a partnership between African ministers of education and education donors), FAPED (a network of African Parliamentarians for Education), FAWE (an international NGO promoting girls’ education in Africa), and COMED (a network for African education journalists and communications specialists). Furthermore, the Fund

⁷ Verspoor et al. (2008) summarizes the work on SEIA, Bakilana et al. (2005) presents work on Education and HIV/AIDS also supported by the NETF, Subbarao and Coury (2004) review interventions to help AIDS orphans, and Verspoor (2005) summarizes the work on quality conducted by ADEA and supported by NETF.

⁸ This included several study tours for African policy makers to Asia and Latin America. Fredriksen and Tan (2008) reviews the outcomes and publishes background papers on education development in Ireland, Korea, Singapore, Thailand, and Vietnam, as well as for Sub-Saharan Africa, prepared for a study tour to Singapore and Vietnam.

promoted closer cooperation with UN agencies such as UNICEF, UNESCO, UNDP and ECA⁹. Funding for this objective became increasingly important during NETF’s existence because regional partnership activities of this type are generally given low priority in donor financing. About 30.5% of the Fund’s total resources were used in support of this objective.

(c) Supporting technical and analytical capacity in the education sector.

Education sector development must be driven by national institutions that have the capacity to implement evidenced-based policies to address sector issues continuously as they occur, as well as to ensure integration of education into the other key national policy and planning processes. The capacity to do this is still weak in most SSA countries. The technical and analytical work needed to prepare high-quality education policies and investments programs is substantial and diverse, often resulting in the need to supplement the existing government capacity with external or local expertise. The NETF made a deliberate effort to provide such assistance in a way that helped build national capacity through mobilizing, motivating, and strengthening existing local capacity rather than substituting for such capacity through the use of external expertise. Furthermore, since education sector programs need to be integrated in the broader national planning framework, the NETF also helped fund technical capacity to conduct the analytical work in the education sector needed to underpin other national programs, such as debt reduction under the Highly Indebted Poor Country Initiative (HIPC), and the development of Poverty Reduction Strategies and Medium Term Expenditure Frameworks.

The NETF supported the aforementioned activities by funding work led by national teams. The World Bank’s education task team leader in the country was the key interlocutor between the country team and the NETF, organizing the support. As previously noted, one of the guiding principles for providing such support was to follow approaches that would as far as possible mobilize, strengthen, and utilize existing national capacity. The specific activities varied from support for basic analytic work and local workshops, to highly technical and specialized work, depending on the stage of the education sector program and the capacity needs of the country. Once the education sector program was completed and appraised, the World Bank along with other development partners provided financial support for program implementation. NETF funding was limited to program preparation, capacity-building, and consultative processes. About 46.1% of the Fund’s total resources were used in support of this objective¹⁰.

⁹ The NETF supported the education component of the UN Special Initiative for Africa (UNZIA) led by UNDP and the UN Economic Commission for Africa (ECA).

¹⁰ Thus, in total, 96.4% of NETF funding was used in support of the three objectives described above. The remaining 3.6% were used on NETF management, primarily to support program coordination, resource management, and accounting staff. This low level of administrative costs was possible because many NETF management activities piggy-backed on activities funded under the World Bank’s regular budget.

Some lessons from the NETF experience

During its existence, the NETF underwent one internal (2001) and two external (2003, 2007) evaluations¹¹. All three were very positive with respect to the impact of the Fund. But they also recommended ways of enhancing the effectiveness of the Fund, e.g., regarding the areas targeted for support and the modalities used in providing the support. In particular, the 2007 evaluation presented a number of recommendations for future funding of this type and, especially, for the FTI Education Program Development Fund (EPDF). The EPDF was modeled on the NETF and later received Norwegian funding for the type of support that had been provided under the NETF¹².

The discussion below focuses on the findings of these evaluations with respect to one of the key interests of this special issue of the JICE, i.e., enhancing education aid effectiveness by giving higher priority to “soft” education investments at both the national and international levels, including capacity-building and support for regional and global public good functions. The discussion will focus on lessons from NETF with respect to three different aspects: (a) targeting of aid on particular countries, areas, and purposes; (b) funding modalities used to ensure targeting; and (c) how to ensure funding additionality and sustainability for the targeted activities.

(a) Targeting of aid

As discussed in the Overview article, views differ on whether targeting of aid – especially within countries – can be done effectively, because of issues related to obtaining “additionality” through targeting due to the “fungibility” of money, or even whether such targeting is “right,” because the areas targeted may reflect more closely the priorities of the donor than those of the recipient country. However, as already explained, the main rationale for establishing the NETF was the belief that, in order to break out of the education stagnation affecting SSA throughout most of the 1980s and 1990s, major barriers hampering education growth needed to be removed. Therefore, *the very objective for establishing NETF was to provide funding targeted on helping countries remove these barriers*. In particular, NETF funding targeted:

- (i) “Low enrollment countries”: Initially, funding was limited to the 16 SSA countries¹³ that had GER below 60% in 1995. Funding was extended to all

¹¹ See, respectively, Ndoye (2001), Norwegian Ministry of Foreign Affairs (2003), and Smith and Addy (2007).

¹² The NMFA was a strong supporter of the FTI and did not want to maintain a bilateral fund parallel to the EPDF after that multi-donor fund was established. However, because the FTI and the EPDF focus on basic education, the NMFA established a special Trust Fund to support the type of work initiated under the NETF in post-primary education. That fund still exists.

¹³ Angola, Burkina Faso, Chad, Djibouti, Eritria, Ethiopia, Guinea, Guinea Bissau, Liberia, Mali, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, and Somalia. These countries were given special emphasis under the UN Special Initiative for Africa launch by the UN, managed by the ECA and UNDP and supported by the World Bank. AFTHD prepared a special strategy document outlining its support for

SSA countries after program development had been initiated in most of these 16 countries. During the first four years of its existence, the Fund supported preparation of sector programs in 13 of these 16 countries. Although it is impossible to identify the impact of this support, it is worth noting that during the four-year period from 1998/99 to 2002/03 the average GER in primary education for 15 of these 16 countries¹⁴ increased by 21 percentage points (from 64% to 85%). All but two countries also saw substantial progress towards gender-parity in primary education.

- (ii) “Soft investments” at the national level: This included various types of capacity-building through support for analytical work; policy development and program preparation; and dialogue among key education stakeholders to develop consensus on, and ownership of, national programs and policies.
- (iii) “Soft investments” at the regional level: This included sponsoring a number of partnerships, multi-country activities, study tours, and other “public good” functions to promote peer learning and ensure that national programs were informed by good practice experiences from inside and outside Africa.
- (iv) “Critical bottleneck areas”: Slow progress in certain areas was considered a particular impediment to the progress towards UPE. Therefore, NETF targeted funding of analytical work and policy development to help remove these constraints. Initially, three areas were targeted: girls’ education, adult literacy, and ECD. Later on, in order to support preparation of comprehensive education sector programs, the areas of special focus were extended to include education quality, education and health (with special focus on the interaction between education and HIV/AIDS), secondary education, skills development, and tertiary education.
- (v) Provision of technical support: The NETF also targeted the provision of specialized technical support to national teams. As already mentioned, this was done by funding specialists located in the World Bank to enhance the Bank’s capacity to support national teams in the preparation of sector programs, as well as to conduct regional analytical work and support partnerships and knowledge-sharing. Three different areas were targeted. First, three subject specialists were recruited to support work targeting girls’ education, adult literacy, and “education and HIV/AIDS”. Later on, one specialist on textbooks and one on higher education were added. Second, two specialists were recruited to help national teams enhance the quality of the basic quantitative work required to

this initiative, see World Bank (1998).

¹⁴ Only Somalia received no support because of the civil war.

prepare national education sector programs¹⁵. Third, considering the emphasis on promoting constructive and credible dialogue on policies and improving the political economy of education reform, the NETF funded a position for a senior African education professional with high credibility throughout Africa to play a leadership role in assisting World Bank education staff in conducting policy dialogue on education reforms¹⁶.

Thus, NETF funding remained targeted during the Fund's existence, but the targeting shifted over time and broadened considerably in some areas, especially with respect to countries and special areas of focus. As a result, when the Fund closed, it had supported preparation of education sector programs in 41 SSA countries. In addition, it had supported a variety of regional and multi-country activities designed to improve the quality of education policy and build national capacity through knowledge-exchange, peer learning, and national consensus-building on policies.

All three evaluations of the NETF found this *targeted funding* to have been very beneficial to countries. Ndoye (2001) reviewed the experience with NETF after three years of existence and concluded that:

“NETF has responded to the needs and priorities of educational development in Africa. The various activities carried out in this context, sub-regional workshops and support for program preparation, have generated impressive results in terms of outputs and impacts on the development of sub-regional and local capacities. Programs drawn up with this support are the vehicle of new ambitions, visions and commitments that reflect a strong will on the part of political leadership to accelerate the development of education. The policies and reforms that constitute its substructure are increasingly the subject of exchange among the actors involved, particularly between governments, teachers' unions, parent associations and NGOs. In these discussions, shared perceptions are being constructed; they do not preclude divergences of views but instead facilitate new partnerships. It also appears that aid for the development of education in Africa should focus more on those processes that influence attitudes and capacities, as well as relationships of actors in the sector who determine the success or failure of education programs and projects. This type of support deserves to be continued and deepened in order to expand and strengthen the gains of African countries” (pages 24-25).

¹⁵ This includes preparation of Country Status Reports (CSRs), which evolved to become a standard analytical document providing the type of quantitative data and simulation of cost and financing required to prepare education sector programs. The NETF also supported preparations of CSRs for the health sector.

¹⁶ Over a five-year period, this position was held successively by two former African education ministers, both highly credible because of success in their own countries and well-known to other ministers and donor staff.

The 2003 external evaluation was also very positive with respect to the impact of the Fund in general. As regards the targeting, it concluded:

“The NETF has supported the preparation of education sector development programs in almost all the 16 low enrollment countries which it targeted. ... Major work has been done to dismantle barriers to basic education and girls’ education, adult literacy, early childhood development, and school health and nutrition. Work has also been done in post-primary and skills education, and on HIV/AIDS. Many of these issues are now mainstreamed in sector development programs. There has been considerable knowledge production....All the issues dealt with through the NETF are highly relevant from the perspective of African stakeholders” (Norwegian Ministry of Foreign Affairs, 2003, p. 41).

The 2007 external evaluation concluded that:

“The impact of the NETF has been felt far beyond what was originally envisaged for a relatively small and flexible contribution to addressing the challenges of getting more children into a worthwhile school experience and ensuring that they benefit from it. The first and most obvious outcome has been the development of better quality, more evidence-based education policies and programs in a range of African countries. This has contributed considerably to the remarkable turnaround in education growth observed since year 2000. Obviously Dakar and the international commitment deriving from that seminal process has been the main driver of renewed investments and commitments to universal basic education for Sub-Saharan Africa. But NETF predated the Dakar process and showed the way in terms of its focus on sound policies and planning frameworks, knowledge sharing and regional cooperation.

A second important impact of the NETF was its help in improving the quality of advice and knowledge available to partner countries and in strengthening the synergies among the external partners. ...

Although the FTI was not part of the original framework for the NETF, the Fund helped finance most of the analytical work which underpinned the setting up of the Fast Track Initiative. If Norwegian development aid to education had achieved little else over the past five or six years this outcome would represent a major contribution to the push for EFA.

In a nutshell the Fund can point to its impact on better plans leading to improved enrollment and retention rates, better analysis, better technical capacity in partner countries, better regional cooperation and sharing among African neighbors and

integrated national efforts to get children into an effective school. The perceived impact of the NETF is reflected in the following statement of an informant: *In my view, NETF has been the most valuable trust fund for African education*” (Smith and Addy, 2007, pages 48-49).

Finally, the last regular Annual Report on NETF prepared by the World Bank noted that (World Bank 2005, pp. 10-11):

“...it is the assessment of the World Bank staff that the NETF has in particular strengthened and been additional in the following areas:

i) Stimulation of regional... analytical work and policy workshops in a wide range of areas. There is still scarcity of funding for such activities, in particular those that are part of larger analytical and collaborative work-programs and that are being followed up at country level... ii) Partnerships, especially with ADEA, UNESCO and UNICEF, but also with other organizations such as EI and CONFEMEN. ... The NETF funding has enabled much closer collaboration through the support of joint work-programs ... iii) Various types of capacity-building for NGO-type of organizations... iv) Strengthened work in neglected areas, which became target areas for the NETF support... v) Greater focus on resolving implementation bottlenecks, through the particular work programs developed on teachers, textbooks, education quality, education management... ; vi) Finally, the Fund has stimulated a considerable amount of analytical work at the country level, especially through the CSRs, and capacity building in the way these activities were conducted, including the policy workshops.”

In short, while each of the two broad types of funding provided by the NETF – country-specific support and support for multi-country/“global public good” activities – was judged very valuable, the *synergy between the two types of activities was considered important as well*. In other words, support for regional partnerships and inter-country collaborative activities enhanced the impact of the country-specific activities. This point is important because, to the extent this is correct, the severe shortage of funding for the former activities is likely to constrain the effectiveness of the latter.

(b) Funding Modalities

AFTHD managed the NETF based on a framework agreement with the NMFA. Use of the funds and Fund replenishment were reviewed annually at a consultation meeting in Oslo between the Ministry and the World Bank. The two institutions also maintained continuous contact on any issues arising between consultation meetings. To increase the impact of NETF funding, the following principles were established to guide fund allocation:

- *Seek additionality* by avoiding substituting for other available financing. Cost-sharing with other development partners and beneficiary countries was considered important in creating shared ownership for funded activities, facilitating mobilization of resources for sector program implementation once prepared, and helping leverage NETF resources, thus increasing the number of activities NETF could fund.
- *Support local capacity-building* by prioritizing implementation approaches conducted by the countries themselves, using African professionals and institutions as much as possible.
- *Promote synergy with the work of other agencies* by conducting most of the knowledge-sharing activities jointly with other agencies.
- *Ensure follow-up and implementation of the NETF-financed work* by ensuring that NETF-supported workshops were developed in cooperation with country officials and the operational staff of the World Bank and other external partners.

All of the three evaluations underlined that speed and flexibility in managing the funding approval process constituted a key aspect contributing to NETF’s success. As regards *speed*, it usually took less than one week to review and decide on requests for support for country-specific activities. Decisions on partnership activities usually took some more time because they required a more involved consultation process. As regards *flexibility*, contrary to many other trust funds, applications for support could be made at any time, not only on specific dates. This is important because funding needs that arise during preparation of sector programs are not always easy to foresee months ahead of time. Together, speed and flexibility helped minimize transaction costs for those implementing NETF-funded activities. This is important since technical staff in countries and international agencies are often over-stretched, and transaction costs in obtaining funding under trust funds are often quite high.

(c) Additionality and sustainability

A key assumption behind the NETF was that preparation of high-quality sector programs would help countries mobilize *additional funding* for education to accelerate the progress towards UPE. This was based on the experience of World Bank staff that, other things being equal, better prepared and managed education programs increase the education sector’s chances of attracting more domestic as well as external funding.

It is not possible to assess the extent to which NETF’s contribution to better quality sector programs became a catalyst for the mobilization of more domestic and external funding for education. However, it is a fact that both of these sources of funding increased markedly during the existence of the NETF. Thus, education budgets in SSA grew annually by about 9% between 1999 and 2007, compared to only about 1% annually between 1980 and 1999. Approximately two-thirds of this increase was due to economic growth; the rest derived from increased political priority for education, as reflected by the

fact that the share of GNP devoted to education increased from 3.5% in 1999 to 4.5% in 2007¹⁷. And disbursement of aid for education increased by almost 16% annually during the period 1999-2006.

When it comes to the *sustainability* of the activities targeted under the NETF, the prospects are likely to be quite different depending on the specific type of activities targeted:

- (i) “Low enrollment countries”: As already explained, funding was initially limited to 16 SSA countries that had GER below 60% in 1995. Disregarding Somalia, Niger was the only country with a GER below 60% in 2007. While there is need for continued funding to improve policies and programs, especially in post-conflict countries, the type of support provided by the NETF has been continued under the EPDF and expanded to other developing regions. Such funding is also available from other external sources.
- (ii) “Soft investments” at the national level: Provision of support for such investments to build capacity was a key objective of the NETF. Despite the progress towards more evidence-base policies and programs, weak institutional capacity continues to be a problem in SSA countries. As discussed in the Overview article, in order to change this it will be necessary to develop a new capacity-building strategy going beyond developing individual technical skills to promoting institutional and organizational change so that existing capacity can be better mobilized, strengthened, utilized, and retained. This will require changes in approach by both aid recipient countries and development agencies.
- (iii) “Soft investments” at the regional level: The sustainability of some of the activities funded by the NETF to promote “public good” functions, such as regional studies and peer learning through regional networks and south-south cooperation, is less certain. Much of the regional analytical work related to specific areas such as education quality, ECD, skills development, and higher education helped create an important momentum that continues through other funding. On the other hand, some of the partnership activities have been difficult to maintain due to funding difficulties.
- (iv) “Critical bottleneck areas”: Funding for targeted work needs to be continued, though focus areas should evolve to respond to changes in aid priorities over the past decade. First, as regards reaching UPE, targeted programs need to be developed and implemented to enroll and retain at school those who are still out-

¹⁷ In East Asia, the share remained at 3.6% in both years; in Latin America, it declined from 4.5% in 1999 to 4.1% in 2007; and in South Asia, it increased from 2.9% to 3.8% (UNESCO 2010).

of-school. Second, the progress towards UPE has created strong demand pressure on post-primary education. Thus, the type of analytical work supported by the NETF on secondary education, TVET, and tertiary education need to continue¹⁸. Third, as pointed out in successive EFA Global Monitoring Reports, despite the progress towards UPE, progress continues to be slow towards the other five EFA goals. Some of the analytical and policy work launched under NETF has been continued with EPDF funding, but much more systematic attention is required, especially for regional work.

- (v) Provision of technical support: As discussed in the Overview article, the capacity of aid agencies to provide such support is declining, and, as noted in the last NETF Annual Report, because of budget constraints, “...it has proven difficult to maintain in the World Bank staff capacity built through seed money from the NETF in areas such as literacy, girls’ education, TVET.” The report also notes that: “There is a clear tendency for the World Bank to become increasingly dependent on trust funds to finance basic analytical work and advisory services to the countries. This is particularly true at the regional level, as the institution’s budget is almost exclusively tied to country programs, squeezing regional and analytical work programs. However, the World Bank has also become dependent upon trust funds to provide countries with direct assistance to facilitate policy dialogue, knowledge generation and sharing and preparing and implementing of sector programs. This development is exacerbated by the move towards budget support” (World Bank 2005, pp. 11-12).

In short, the NETF helped initiate many processes that facilitated the resumption of rapid progress towards UPE in SSA over the past decade. A special feature of NETF was its flexible and rapid response to support analytical work, partnerships, innovation, and “south/south” or triangular cooperation. In the present education aid architecture, there continues to be a shortage of funds for these types of activities. Clearly, to cater to the 72 million children still out of primary school, and to develop the skills needed to sustain the nascent economic growth in low-income countries, new and innovative approaches will be required. The most marginalized and disadvantaged children cannot be attracted to school by simply providing a school desk. Nor will expansion of traditional vocational and technical training meet the skill needs of the modern, knowledge-based economy. Sustainable solutions will call for innovation, the utilization of new technologies, the ability to adapt international good practices to the local context, and the linking of interventions to broader social protection programs. In turn, this will require that low-

¹⁸ Hopefully, the May 2010 decision of the FTI Board to extend funding under the “new” EPDF – The Policy and Capacity for Education (PACE) program – to the whole education sector will help in this regard. Also, as already mentioned, when NETF closed, Norway established a new trust fund to support work on post-primary education.

income countries have better access to international knowledge assets and ability to learn from experiences and peers in other countries.

Concluding Remarks

The international education aid community is still struggling to develop effective funding mechanisms to provide the type of funding provided by the NETF in a predictable and flexible way, and at a larger scale. Existing mechanisms remain very fragmented, and transaction costs in accessing them are high. The FTI PACE program may respond to part of this need, but it is still too early to tell how this will develop.

More generally, the global education aid architecture has a poor track record in addressing issues related to the *efficient allocation* of education aid. This limits the overall effectiveness of such aid in promoting national and international development goals. In particular, there is an urgent need to review how the institutions and networks designed to provide regional and global public goods can be revitalized – in terms of governance, effectiveness, and funding – in order to increase their effectiveness. At a time when the economic downturn may lead to further stagnation or decline in aid, when aid fatigue is growing, and when there are new demands for ODA arising from, e.g., climate change and food security needs, it is more urgent than ever to ensure that *whatever aid is available is used as effectively as possible*.

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