Working through partner government systems in the education sector
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Acronyms

ADB  Asian Development Bank
ACDF  Analytical and Capacity Development Facility (Indonesia)
AOFP  Annual Operational and Financial Plan (PNG)
BEP  Basic Education Program (Indonesia)
CDC  Construction development contractor
CPD  Continuing professional development
CSA  Country Situation Analysis
DFID  Department for International Development
DRC  Democratic Republic of Congo
EC  European Commission
EFA  Education for All
EMIS  Education Management Information System
EQAS  Educational Quality Assurance System
ESIP  Education Sector Investment Program (Uganda, Papua New Guinea)
ESSP  Education Sector Support Program (Indonesia)
EU  European Union
FTI  Fast Track Initiative
HRM  Human resource management
JAR  Joint Annual Review
Lao PDR  Lao People's Democratic Republic
LGDP  Local Government Development Program
MOE  Ministry of Education
MOF  Ministry of Finance
MONE  Ministry of National Education (Indonesia)
NGO  Non-governmental organisation
PAF  Performance assessment framework
PAP  Priority Action Program (Cambodia)
PETS  Public Expenditure Tracking Survey
PFM  Public financial management
PGS  Partner government systems
PNG  Papua New Guinea
PRSO  Poverty Reduction Support Operation (Lao PDR)
QA  Quality assurance
RENSTRA  Indonesian Strategic Plan for Education
SABER  System Assessment and Benchmarking for Education Results (World Bank)
SBS  Sector budget support
SIP  School Improvement Plan (Nepal)
SSRP  School Sector Reform Program (Nepal)
SVAp  Sector-wide approach
TA  Technical assistance
TVET  Technical and vocational education and training
UPE  Universal primary education
VERM  Vanuatu Education Road Map
VESS  Vanuatu Education Sector Strategy
WB  World Bank
Executive summary

About this paper

This paper focuses on working through partner government systems (PGS) in the education sector. A framework is proposed which outlines an approach to considering how to work through PGS. This approach is shaped by country contexts and the full paper draws on country experiences to illustrate this. Examples from five AusAID mini case studies are highlighted (from Indonesia, Lao PDR, Nepal, Papua New Guinea and Vanuatu), as well as broader international experience. The aim of this paper is to help teams and individuals to think through an approach to working through PGS by looking at a range of system dimensions in different country contexts, and not to offer a universal template.

AusAID expects that improved PGS should lead to better development outcomes through a chain of virtuous effects. Effective government systems are clearly critical for improving the lives of citizens, and the commitment to using these systems for aid provides an incentive for donors to help to strengthen them. State institutions can be legitimised and made more accountable through strengthening domestic demand for better government performance, which is critical for sustainability.

In many situations, in its programs of support to education AusAID is unlikely to use PGS fully from the outset. What matters is the commitment to moving towards greater use of PGS over time. This paper maps out different ways this can be approached in the education sector, and also explores the trade off between strengthening PGS to gain confidence in them, or using them to test and fix the leaks.

PGS include both formal systems (government structures and systems) and informal systems (cultural and political norms and practices). The framework presented here addresses PGS along a number of dimensions (including those specific to the sector), together with key questions and issues to investigate.

A Framework for working through PGS in the education sector

Using PGS is challenging because government systems are complex. In order to use PGS it is necessary to assess the risks involved, and to develop a strategy to mitigate these risks, including choosing an appropriate aid modality. Most importantly, AusAID also needs a strategy to further strengthen PGS to be able to continue moving towards greater use of these systems. The country context must be taken into account when identifying the key issues for investigation and in thinking about ways of using system dimensions. This entails unpacking the country-specific informal systems that will make the formal systems listed in the framework work differently from the way they work in theory. There is no unique way of unpacking systems. This paper proposes one way of doing this which takes account of the specificities of the education sector that is, a framework with the following dimensions:

- Policy setting systems
- Strategic planning systems
- Public financial management systems
- Human resource management systems
- School level systems
- Input delivery systems
- Quality assurance systems
- Performance monitoring and accountability systems.

Policy setting systems

Policy setting in any country is a government’s responsibility. Partnership approaches involve formal agreements that allow donors to engage with partner governments’ policy setting systems, via policy dialogue and/or advisory assistance. Country experience shows that a partnership approach takes time but has benefits for both parties. Partner governments benefit from better aligned and
coordinated aid and knowledge. Donors gain influence, thereby being able to more closely align their assistance with a more acceptable policy. In fragile contexts, partnerships may also be more fragile. Flexibility is necessary for the partnership to evolve and adapt to the country’s political processes.

**Strategic planning systems**

AusAID is increasingly working with other donors to support partner governments in planning for the sector or sub-sector as a whole. The donor group must first identify the extent to which they can legitimately shape the scope and content of plans, while promoting country ownership and leadership. The types of financing modalities used influence the scope of engagement with government plans. In particular, using earmarked financial assistance may make it harder to ensure that attention remains focused on the parts of the sector plan that are not financially supported.

In decentralised countries, sub-national planning systems are critical but often weak. If donors focus is engaging with PGS at central level, this may lead to education plans and objectives that are not integrated in local decision-making and planning systems. AusAID country teams need to be aware of such trade-offs.

**Public financial management systems**

Public financial management (PFM) systems have many components (from planning and budgeting, to approval processes, procurement, accounting, reporting and audit). The majority of AusAID financial assistance to education is partly-aligned, i.e. uses some but not all components of the partner government’s PFM system. AusAID programs often use derogations, thus in effect creating parallel or hybrid systems which may divert capacity. However, ‘shadow aligned’ aid systems, which mirror how government systems should work ideally, can provide lessons for strengthening these. This should then feed into a time-bound strategy based on clear benchmarks for gradually moving towards fuller alignment.

Assessing risks is indispensable and pooling risks with a large group of experienced donors has led country teams to adopt types of aid which use countries’ PFM systems to a considerable extent.

**Human resource management systems**

Motivated and qualified teachers are the single most important input for quality education. Teacher policies need to look at a whole range of issues as there are clear links with planning and budgeting systems and quality assurance (QA) systems. Engaging with partner governments’ human resource management (HRM) systems is often overlooked. Yet it is critical as HRM issues are often at the core of poor service delivery. This requires strong links between sector development processes and the country’s civil service policies and reform.

**School level systems**

School funding systems are a critical component of education systems. AusAID supports these systems in many education programs through supporting fee-free policies. It is particularly important to pay attention from the outset to issues of financial sustainability and to use government systems to the greatest possible extent, so as to embed school funding as a core recurrent obligation in the government budget. Other key issues to bear in mind are reliability and strengthening monitoring systems. This support goes hand-in-hand with assistance to strengthen school governance and planning systems as a way to ensuring better return on the funding.

**Input delivery systems**

Instructional materials and school infrastructure are indispensable inputs for quality teaching and learning. Donors should avoid substituting for governments in their provision. Using hybrid systems to circumvent the weakest elements may help to reach tangible results rapidly, which is understandable, but it may also inhibit the development of government capacity in crucial areas, or lead to inconsistent quality and costs of provision, and monitoring.

Devolving instructional material procurement to the schools, or construction management to communities, may work very well. However, there are instances where the ‘supply side’ is unlikely to find it attractive to respond to small-scale demand (in remote areas or small islands with small
enrolment numbers). For instructional materials, delivery systems will also be impacted by the country's language and curriculum policies. With regard to infrastructure, donors must pay attention to strengthening maintenance systems and this often entails finding ways of incentivising local government authorities to pay attention to school maintenance needs in local budgets.

Quality assurance systems

QA systems ensure the quality of what is being taught and learned. They operate within the broad systems of policy setting, planning, budgeting and PFM; are interlinked to the HRM and input delivery systems; and need to be interlinked to one another to ensure coherence among the education system's objectives. Working with the partner government in these systems is indispensable. AusAID is increasingly supporting partner government work in assessing learning and benchmarking the systems that improve learning outcomes.

Performance monitoring and accountability systems

Performance monitoring and accountability systems are closely interlinked and provide critical inputs to policymaking, planning and operational management. They include systems of reporting and the use of the information at various levels: for management, feedback or lesson learning and accountability. They vary depending on the government structure and on the country's legal and regulatory frameworks and are influenced by the informal systems, norms and incentives in and outside of the sector.

Key building blocks of these systems are: a functioning Education Management Information System (EMIS), a PFM system allowing timely access to comprehensive and meaningfully disaggregated financial data, and reliable administrative reporting systems. Donors need to support these, and align their own reporting requirements to work in partnership on joint performance monitoring processes and systems. Whole-sector performance assessment frameworks (PAFs) and Joint Annual Reviews (JARs) can be useful if (and only if) they are well integrated in the partner government's key processes and cycles and in particular, the budget cycle.

Lessons for AusAID in delivering education sector aid

This paper looks at possible lessons for AusAID staff to consider when they design and implement education support programs and aim to use PGS to the greatest possible extent.

Addressing the ‘missing middle’

There is often a ‘missing middle’ in sector-wide approaches (SWAPs) with a lack of attention to service delivery processes and the incentives faced by school staff and their managers. Instead SWAPs typically have a strong focus on partner governments’ upstream systems (e.g. strategic planning, budget preparation and approval), yet it is the downstream service delivery systems which translate education inputs into outcomes – literate and numerate children, and so they should be prioritised by both partner governments and donors.

Donors need to engage with the system-wide reforms that focus on the incentives of service delivery agents. This will require strong links between education programs and civil service and decentralisation reforms. Acting on incentives may result in additional recurrent costs in the partner government’s budget. Aid which can fund the budget hence help the partner government in a transition towards fully financing these may help. Addressing the ‘missing middle’ also implies that monitoring should be focused on service delivery systems and processes, through tools and institutionalised systems focusing on data capturing the quality of systems and processes and progress made in strengthening this.

Strengthening country strategies

Many of the most critical challenges faced in moving towards greater use of PGS in education relate to strengthening PFM, civil service management, HRM, local government and service delivery systems, and are therefore not education-specific. Country teams as a whole should find ways of linking cross-cutting and service delivery reforms practically and reflecting these in the country strategy. When the Country Situation Analysis (CSA) and joint Statement are prepared, it is critical
to engage senior officials from the partner government’s central agencies in the discussions about AusAID’s intended support to education – this will ensure their support to the broad directions for the program.

Delivery strategies for the education sector

When it comes to deciding how to work through PGS it is important to regularly review progress and to remain flexible so that ongoing programs take account of changing circumstances. Education delivery strategies should outline a ‘theory of change’, detailing how the proposed mix of aid inputs will lead to the change required to achieve both AusAID and partner government objectives. Delivery strategies should clarify how trade-offs related to risks in using PGS in the sector have been analysed and resolved.

Involving the ministry of finance in the process of matching types of aid to strategic education objectives is indispensable to integrating aid management into the country’s PFM systems. Any derogation to the PFM systems should also be discussed with the ministry of finance.

Detailed activity design and implementation

Participatory design processes, senior officials’ leadership, ministry-wide consultation events and other means will be indispensable to ensuring that program objectives are internalised and program-related tasks are integrated into government agencies’ work plans and staff workload. This must extend beyond education agencies, to those agencies involved with PFM, civil service, etc.

The design stage is when country teams must identify in detail how AusAID financial assistance will be aligned in relation to the different PFM system components. The effects of any derogation must be thoroughly assessed (e.g. broader implications if it was replicated in other sectors) and discussed among donors and with the partner government and in particular, with the ministry of finance. In the education sector, where the main financing need is typically recurrent funding, supporting priority expenditures through parallel systems is not practical. A key issue is ensuring incentives for effective use of PGS by partner government agencies and staff are in place. This includes ensuring there are incentives and opportunities for those outside the education sector to engage in design and implementation processes, for example staff at the Ministry of Finance.

In decentralised contexts there are often several forms and levels of government systems, and aligning financial assistance is about assessing trade-offs. The decision for one system over another should always follow discussions with all government agencies concerned, including agencies in charge of decentralisation across sectors.

Further developing AusAID capacity

AusAID staff at post have to be able to directly manage the interface with the partner government and other donors. Using PGS puts a premium on country teams being able to build an in-depth understanding of something complex, varied and continuously evolving. The right skills mix at post level should be fitted within some form of division of labour with other donors wherever possible. External studies, call-down contracts and other means of mobilising outside competences can complement in-house expertise.

Different strategies are needed depending on whether, in a given country, AusAID is a large or small donor in education and the cross-cutting areas. Where AusAID is a small donor, formalising ways of having access to expertise from like-minded donor partners may be a useful approach. Using expertise recruited locally is also advisable, although donor agencies should avoid ‘poaching’ competent staff from government agencies, so there can be a dilemma here.

Working with other donors

Division of labour allows donors to work jointly and through harmonised modalities, yet distributes roles in line with each donor’s comparative advantage. Division of labour can extend to types of aid: there can be value in a portfolio of a select number of different aid instruments carefully designed to be complementary, using each donor’s institutional constraints and strengths to best effect.
AusAID’s scope for division of labour will depend on whether it is ‘first and last resort’ donor versus ‘niche’ donor; the size and composition of the donor group; the capacity and interest of the partner government to manage donors; and the maturity of the partnership. In countries engaged in the Education for All Fast Track Initiative (FTI) process, AusAID’s role as a significant FTI donor puts the onus on the agency to make sure that country teams are able to advise partner governments on a course of action. In particular, the initiative’s commitment to use the most aligned modality for its financial assistance is more likely to be upheld when the local donor group can show progress in using PGS in the education sector.

Conclusion
This paper outlines a framework to think about various dimensions of working through partner government systems in the education sector and the implications of using them. It highlights possible lessons for AusAID at all stages of its programming cycle. The framework is not presented as a blueprint, but aims to be useful for country teams to develop and implement approaches to using PGS in AusAID education programs in a more systematic and comprehensive manner.

The full paper gives more detailed analysis of the issues outlined here, illustrated by a number of country examples, as well as broader international experience.

How the Education Resource Facility and the Education Thematic Group can help
Contact the ERF or the ETG for more detailed country level analytical support on working in partner systems in Education. In country workshops and targeted staff coaching and broader advisory support can also be provided.

You can contact the ERF team at info@ausaiderf.com.au
Focus of the paper

AusAID is planning to substantially scale up the Australian aid program and ensure greater effectiveness of Australian aid. These two objectives are intimately interlinked as scaling up will not be feasible through just ‘more of the same’ systems of aid delivery. A number of reforms are unfolding to support this, calling for a significant change in the way AusAID does business. New guidance has been prepared to support staff in country and regional posts in adopting and implementing new ways of working. Of particular significance are: the new country strategy architecture, organising Australia’s aid programs around delivery strategies and portfolios; and AusAID’s commitment to partnership approaches and working through partner systems, with implications for the choice of types of aid and the processes of designing and managing AusAID education support programs.

Within the context of these broader changes, this paper focuses on working through partner government systems (PGS). It is addressed primarily to AusAID staff in country and regional offices who are considering doing this in education programs or considering further moves in this direction. The paper builds on the evolving AusAID and international thinking and practices to outline what working through PGS means in the education sector. It proposes a framework to look at this, and uses illustrations drawing on mini case studies focusing on AusAID programs in Indonesia, Lao People’s Democratic Republic (PDR), Nepal, Papua New Guinea (PNG) and Vanuatu, as well as other international examples. PGS are complex and shaped by the country context. The aim of this paper is to help teams and individuals to think through an approach to working through PGS by looking at a range of system dimensions in different country contexts, and not to offer a universal template.

The paper first discusses working through PGS in the context of the broader aid effectiveness agenda. It then considers the education sector more specifically, covering the different dimensions set out in the framework. The next section examines the implications of using PGS in relation to risks, and how to mitigate risks through strengthening government systems. It moves on to look at implications for AusAID practices and capacity to use PGS, focusing on evolving current and prospective future practice and noting lessons to be learned from past ways of working. In doing so the paper refers to some of AusAID’s policy and guidance papers. It also makes use of international experience wherever possible, although it is important to note that there is currently no international repository of good practice in using PGS.

Box 1
Terminology matters but…

Terminology remains ambiguous, within AusAID and internationally. International literature refers to working through or with partner systems. AusAID uses the terms working through or in partner systems (the acronym WiPS reflects the ‘in’). It seems that the nuance between the two is about the extent to which PGS are used to deliver AusAID assistance. Working through seems to carry a sense of using PGS extensively and in particular, using PGS to release and account for AusAID funding. Working in refers to modalities using some but not all parts of PGS (for instance AusAID assistance being on-plan and reflected on-budget but nothing more) but with AusAID also working on strengthening other systems to be able to use them in due course.

In many situations, in its programs of support to education AusAID is unlikely to use PGS fully from the outset, and in some cases PGS are initially used with some modifications or limitations. What matters is the commitment to moving towards greater use of PGS over time. The distinction between working in and through is to some extent irrelevant as long as the commitment to move ahead is there. This paper uses the term working through and focuses on movements towards greater use of PGS.
Working through PGS, aid effectiveness and development

Moving towards and actually using PGS is only a part of the broader aid effectiveness agenda, albeit an important one and one where progress has been slow. AusAID has, at various levels, committed to addressing this.

Aid effectiveness is not an end in itself; it is a means to the end of effective development – that is, better and fairer realities and prospects for partner countries’ citizens. The aid effectiveness agenda proposes that if aid is more effective (as benchmarked in the Paris Declaration) it will contribute more significantly to effective development. Effective aid is not just about spending more aid dollars but also about how they are spent and on what. Aid aligned with partner countries’ policy priorities (what) and systems (how) is expected to be more effective. This is because it is expected to better assure the affordability and sustainability of the development gains made with the contribution of aid through greater country ownership and leadership, and a focus on strengthening PGS to do what they are designed to do rather than establishing costlier parallel systems.

Specifically, expectations are that there should be a chain of virtuous effects from using PGS, which lead to better development outcomes. This is because first, effective government systems are critical to improving the lives of ordinary citizens. It is these systems that can enable partner governments to mobilise resources (financial and otherwise) to deliver essential services effectively, thereby improving living standards. Strengthening these systems and their immediate outputs (better policies, plans, laws, regulations and services) is therefore key to achieving better and sustainable outcomes for citizens. In turn, donor commitments’ to use PGS for external assistance provides an incentive for them to focus on these systems, an opportunity to learn more about how they work in practice and therefore how they could be strengthened, and opportunities for an informed dialogue about this. This can broaden the impact of the aid contribution by providing donors with entry points to contribute to strengthening government systems.

Moreover, the use of government core public administration systems can help to legitimise state institutions and make them more accountable. This is critical to sustainability as domestic demand for better government performance should, over time, become the main driver pushing a government to improve its systems. For instance, donors in the Democratic Republic of Congo (DRC) want to raise school financing to cut down costs for parents, and are trying to find ways of using government systems or of ‘shadow aligning’ with them. This should help to rehabilitate the credibility of the government as supposedly the main financier of basic education. In contrast, working outside government systems can perversely affect the state-society ‘contract’. At worst it can lead to partner country citizens openly relying on donors and non-governmental organisations (NGOs) for access to basic services and the government in turn opting out of its core responsibilities for service delivery.

The Cambodian example in Box 2 shows that there can be a real chain of virtuous effects.

**Box 2**

The development effects of working through PGS in education in Cambodia

In 2001, the European Commission (EC) and the Asian Development Bank (ADB) had clearly stated their intention of working through the government public financial management (PFM) systems in Cambodia to the greatest possible extent to support education policy priorities outlined in the emerging Education Sector Plan. One of these priorities was the provision of operational budgets to primary schools to enable the abolition of school fees. Donors provided technical assistance (TA) to help the Ministry of Education (MOE) develop ways of intelligently using a ‘brand new’ government system – the Priority Action Program (PAP), later on replaced by Program-Based Budget – that the Ministry of Finance (MOF) was in the process of developing to improve budget planning and execution for selected budget priorities.

A ‘school operational budget PAP’ was subsequently developed (along with others), with a system outlining eligible spending and accountability lines within the framework of guidelines from the MOF. From 2002, the PAP was integrated into the regular budget of the MOE and government funds started to be channelled to schools for the first time ever. EC and ADB were directly contributing through sector budget support (SBS), that is with their funds pooled across budgeting, disbursement, accounting and reporting systems, with the Cambodian Government’s own resources for the PAP. The abolition of school fees and provision of substitute funding to schools was documented to have resulted in significantly increased enrolment levels among the poorer segments of the population. The school grants program has now become an institutionalised feature of the government budget.
In this example from Cambodia, the way aid was provided changed the relationship between the group of education donors, the MOE and the MOF. This enabled donors to initiate a regular dialogue with the government about the PAP system and the broader PFM system, so they could help develop and establish the PAP, and later on influence the development of the PAP into a more robust system. The PAP system and its successor in turn enabled the implementation of a more effective education budget, channelling funds at the level where they had most effect. This led to increased enrolments and thus to better prospects for raising educational outcomes.

The Cambodian example also illustrates the complexity of how effects work in reality (as opposed to the ‘ideal type’ chain) and the vulnerability of the ‘chain’. For instance:

- Donors were able to go beyond financial aid and provide a judicious mix of aid inputs, all critical in driving changes: the policy dialogue around the Education Sector Plan, the promise of better aligned support and its delivery, the provision of advisory TA to outline and facilitate discussions about options for better education financing, and capacity development support to roll out the school funding system once this had been agreed as a priority.

- Unexpected factors may be critical: here the MOF-led reforms enabling the development of PAPs provided a fortunate opportunity to try and use government budget systems to implement new education policy directions. The education TA helped to seize this opportunity.

- It is relevant to work on several dimensions of PGS at the same time: indeed the ‘better budget’ PAP system would have helped little if it had supported wrong-headed policies, and so the decision of the MOE to prioritise the school funding new policy was critical. Also critical was the development of systems making the transfers to schools known to parents.

- Still today, these ‘virtuous’ effects are partially offset because other parts of the government systems have remained unreformed and because of the informal systems prevailing in Cambodia. The lack of progress with civil service reform and low salaries mean that teachers continue to raise informal fees from children. The practice is institutionalised and, in spite of the new Education Law which forbids it, continues to be unchallenged by parents.
Working through PGS in the education sector

AusAID support to education is a significant proportion of the agency’s portfolio and in a number of countries the education program is AusAID’s largest undertaking in the country program. This support is set to increase further, so it is particularly important to make sure that using PGS does indeed contribute to better education outcomes.

**Systems:** In this paper, we think of a system as a set of rules and processes through which various groups of actors, responding to diverse incentives arising from both within and outside of the system, interact within the system and with the world outside it. These rules, processes and actors fulfil a specific function – in the case of the education sector, that of providing, financing and regulating learning services.

**PGS:** In defining partner government systems AusAID guidance encourages broad thinking: “PGS have many elements, both formal and informal. Formal systems include the overall structure of government (which allocates responsibility and authority to different parts of government), and core public administration systems, including the arrangements for setting policy, the PFM system and the human resource management system. Informal systems comprise the cultures, political dynamics and practices that shape how, and to what extent, formal systems are implemented.”

**Education:** In the education sector all these systems are important, as are also the systems which deliver critical inputs (such as school materials and classrooms). It is important to have in mind the feedback loop systems – the various levels and dimensions of the partner government’s reporting, monitoring and domestic accountability systems. There are also a number of other important systems defining what is being taught and learned (quality assurance systems).

This suggests a possible framework for examining PGS in education (Table 1).

There are a number of important points to bear in mind. First, as noted at the outset, using PGS is complex because government systems are complex. So while Table 1 aims to provide a framework for analysis, country context is critical, including in determining the key questions for investigation. Moreover, there will be no simple solutions. The examples given in the remainder of the paper simply present examples specific to a country context, but they may help teams to think about what may also matter in their own country.

Second, the framework is phrased in terms of formal systems. But formal systems are interconnected with country- and context-specific informal systems, which emanate from the way society has regulated itself and society and state have interacted over centuries. In real life these informal systems will make the formal systems work differently from the way they work in theory. So to be able to reap the benefits of working through PGS, donor staff must understand not only the formal systems but also the way they are influenced by the prevailing informal systems, norms and incentives. By definition, a framework trying to capture key common elements of formal systems cannot capture all the different country- and context-specific factors arising from the informal systems that staff at post need to try to identify and understand. Historical studies, governance assessments, political science and ethnographic analyses can all be useful and should be considered.

Third, there is a trade-off between either strengthening PGS first to gain some confidence in them before using them, or using them precisely to ‘test and fix the leaks’ as working through PGS can be an effective way to really understand how they work and to identify areas in which to help strengthen them. In the education sector, the government is usually a major financier and often a major provider of education services (in addition to being the policymaking and regulatory authority as in other sectors). So on the one hand, the education sector is a ‘big client’, for which government systems’ performance greatly matters. On the other hand, working through PGS, in particular in aid-dependent contexts where aid is critical for achieving universal primary education (UPE), is all but indispensable.

More than in any other sector, the main education financing need is recurrent funds, a large share of which are spent and managed at the local and school levels, so UPE involves a very large number of locations. It simply is not practical to support these priority expenditures through parallel systems – the transaction costs become enormous and sustainability issues loom large. Education donors who do not work through PGS find themselves financing the less critical inputs where it is easier to...
organise parallel systems, but that becomes less tenable if aid has to be significant. Donors who want to play a significant role in primary education have to work through PGS.

Finally, in conflict-affected and other fragile situations there typically are difficult questions about the extent of (policy and system) alignment that is feasible and legitimate for aid donors. The ways in which donors address this is incredibly varied across countries. There is increasing recognition that using government systems to the extent possible matters to rebuild the state so that when donors work outside of them it should ideally be with a view to gradually moving towards their use.iii

In the remainder of this section, we go through the framework dimensions to illustrate how AusAID and other donors are working through PGS or moving towards making more use of them, and at times grappling with difficulties that arise in different country contexts.

Table 1 A framework to examine working through PGS in education

<table>
<thead>
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<th>Dimension</th>
<th>Illustrative questions</th>
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</thead>
<tbody>
<tr>
<td><strong>Policy setting systems</strong></td>
<td>Where and how is policy made (e.g. formal policy endorsement at Cabinet level)?</td>
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<tr>
<td></td>
<td>What is the role and influence of sub-national governments, civil society, etc?</td>
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<td></td>
<td>What are the existing consultative processes?</td>
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<td></td>
<td>Is there a constitutional, legal and regulatory framework for education?</td>
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<tr>
<td><strong>Strategic planning systems</strong></td>
<td>How do sub-national level plans fit within the national plan?</td>
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<td>Can schools make plans and how are they used at higher levels?</td>
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<td>How are plans for different activities (e.g. teacher training, classroom construction, or scholarships) arbitrated and integrated?</td>
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<td><strong>Public financial management systems</strong></td>
<td>How and by whom are budgets allocated? (e.g. for different sub-sectors and provinces or districts; schools; particular programs; development vs. operational costs)</td>
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<td>Who authorises spending on different types of expenditures at the different levels?</td>
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<td>What internal control systems are in place?</td>
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<td>What do financial reports look like and how regular are they?</td>
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<td><strong>Human resource management systems</strong></td>
<td>Who is responsible for career management (recruitment, deployment, promotion, sanctions)?</td>
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<td>How are decision made for staff pay, benefits, pension, working and living conditions?</td>
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<td>Is continuous professional development for teachers and other education staff in place?</td>
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<td><strong>School level systems</strong></td>
<td>How do school funding systems link with fee abolition and reduction policies?</td>
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<td>School management and governance systems: are school committees in place and what is their composition and role? Are they effective?</td>
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<td>What is the extent of autonomy of schools (i.e. the scope of what is decided)? What are their capacities?</td>
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<td><strong>Input delivery systems:</strong></td>
<td>Provision of instructional materials: Who is in charge of what in getting textbooks to schools?</td>
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<td>instructional materials and school infrastructure</td>
<td>How is this funded?</td>
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<td>What is the role of the private sector in schools at different education levels?</td>
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<td>Who is in charge of what in building and maintaining school infrastructure?</td>
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<td>How is this funded at different education levels?</td>
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<td><strong>Quality assurance systems</strong></td>
<td>Who is responsible for curriculum development and what is the cycle of review/ revision?</td>
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<td>Is there a framework for setting teacher qualifications, training and accreditation?</td>
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<td>What is the process for program and institution accreditation and school inspection?</td>
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<td>Are effective exams and learning assessment systems in place and how are they managed?</td>
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<tr>
<td><strong>Performance monitoring and accountability systems</strong></td>
<td>How is performance assessed, rewarded or sanctioned (individual and institutional, program and whole-of-sector)?</td>
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<td>What kinds of reports are prepared at the different levels (school, district, teacher training program, whole sector)?</td>
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<td>Who takes action on such reports (e.g. parliamentary committee, or parents in school general assembly)?</td>
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<td>How is the Education Management Information System (EMIS) functioning?</td>
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**Policy setting systems**

Policy setting in any country is a government’s responsibility. However, both partner governments and donors have policies and policy setting systems. The new partnership approaches entail formal arrangements that enable donors to interact with partner governments’ policy setting systems through policy dialogue, which functions as an interface between partner governments’ and donors’ policy setting systems. Donors can also provide advisory assistance and help to strengthen the partner government’s policy setting systems through other means.

Donors may gain influence through these arrangements, and as a result, an ability to align their assistance with a partner government policy that they find more acceptable. For instance, in Cambodia (2001/02), Vanuatu (2009/10) and Lao PDR (2008/09) the school grant systems, which donors were interested in and are now supporting financially, emanated from policy dialogue (in Vanuatu this combined with the need to meet electoral promises). Partner governments benefit in different ways. In aid-dependent contexts, the policy dialogue and the more acceptable policy frameworks resulting from it can help to defragment aid. Education donors in Vanuatu, for example are now willing to align their assistance with one policy framework instead of pursuing more than a hundred different projects unconnected with each other. In non-aid-dependent contexts, partner governments may agree to policy interaction with donors as a means to accessing knowledge and gaining exposure to new ideas, as in Indonesia where external assistance represents just 2% of the education budget (see the Jakarta Commitment: Aid for Effective Development).

A partnership approach is usually found to be good in its own right, and to indeed lead to better policy alignment as another good outcome. All five country teams in the mini case studies highlight this as progress. However, the AusAID cases and international experience also demonstrate that there are as many approaches as there are contexts and that progress requires time and flexibility. Partnerships can be at different stages of maturity but even mature partnerships need to be able to continue to evolve. The partnership arrangements in Vanuatu, PNG and Lao PDR are new. In contrast, a well-structured partnership has arisen from the past ten years in Nepal, but it will be critical for partners to be able and willing to develop it further alongside the ongoing major restructuring of the state.

The degree of inclusiveness of partnerships typically varies from country to country, on both the donor and the country side. On the donor side, in aid-dependent countries, efforts are made to involve all donors (as in Lao PDR, Nepal, PNG and Vanuatu). In non-aid-dependent Indonesia, the Government is not willing to spend time and energy in trying to set up an overall coordination mechanism, but welcomes the AusAID focus on developing a three-agency/government partnership (open to others) for the Education Sector Support Program (ESSP). The AusAID role in the partnership varies: it is a lead donor in Vanuatu and PNG; it is a late-joining and small but active member in a large partnership in Nepal; it has played a lead role in developing the partnership approach in Lao PDR in spite of an initial position as a ‘small donor’.

On the partner country’s side, it is a fallacy to think about ‘the government’ as a monolithic partner, and the only partner. The depth and breadth of the partnership in terms of who in the education ministry and which government agencies and which non-government actors are ‘in’ or ‘out’ and how they are ‘in’ are all important parameters. A gradually closer relationship is evolving in Vanuatu and PNG between the MOE and MOF, but this has been identified as needing time (in PNG) and further strengthening, and it does not yet include all the relevant central agencies. There is an attempt in PNG to engage the churches, who are major education providers. It can also take a long time for MOE staff to take on board and buy into this kind of partnership approach.

Policy may also be set at different levels in the partner government structure, as in Ethiopia where policies on the medium of instruction for primary schools are decided at regional level so that supporting the implementation of the national curriculum is a multi-level process. In any event, national policies must also be owned by sub-national governments in order to be implemented. But it is often a challenge to strike the right balance in terms of central versus sub-national governments’ control over the resources needed to implement the policies. The national policy in PNG is unevenly implemented by relatively autonomous and variably resourced provinces, and this is a challenge for education donors working in partnership with the national government. Uganda is often considered as an example of a robust education sector-wide approach (SWAp), yet the central MOE has kept quite
tight control over most of the resources needed to implement primary education policies, leaving district governments feeling disempowered and showing uneven commitment.

In short, different country and sector contexts have different implications for the ways in which AusAID and the donor group can engage with partner governments’ policy setting systems and what they can realistically (and legitimately) expect from this. This will be very different in aid-dependent and non-aid-dependent countries and may evolve as it will be shaped by internal political processes. Furthermore, in fragile and conflict-affected countries, the partnership with government will almost inevitably be fragile too. In some instances the very legitimacy of the government is raising an issue.

**Strategic planning systems**

In an increasing number of cases, including the five mini case studies, AusAID is moving away from planning for AusAID project objectives towards (i) supporting the partner government in planning for the sector/sub-sector as a whole, jointly with other donors, and (ii) designing AusAID financial assistance programs to support the sector/sub-sector strategic objectives. This is in line with the approach promoted by the Education for All (EFA) Fast Track Initiative (FTI), in which donors commit to scaling up assistance to countries developing and implementing a ‘credible Education Sector Plan’, and supporting countries in developing such a plan where it does not already exist.

Beyond this common trend, the ways in which AusAID programs interact with the partner government’s strategic planning systems and plans vary considerably from one country to another. For instance, in Indonesia there is a long-established government system of five-year development plans. In planning for its new program, AusAID has engaged extensively with the process of preparing the next education plan (RENSTRA) as a whole. The work with government focused on developing a clear results framework for both the whole sector and the sub-set of activities that the program might support. This work related to and influenced the final RENSTRA outcome. In contrast, government strategic planning systems were weaker in Vanuatu, Lao PDR and PNG; they were significantly affected by conflict in Nepal. Donors have therefore had a more prominent role in these countries in supporting the partner government to (re-)establish such systems and capacities in the education sector, with AusAID providing substantial support to this process, as in Vanuatu and PNG.

There are a number of issues for donor agency staff engaging with PGS for strategic planning to be aware of:

**Education plan:** First is the extent to which donors can legitimately shape the scope and content of the plan. The FTI gives a good example of the difficulty of striking a sensible trade-off – on the one hand, it strongly promotes country ownership and leadership, but on the other, the FTI appraisal guidelines outline a fairly prescriptive set of characteristics of what a ‘credible’ plan should look like.

**Financing modalities:** Second, it is important to realise that donor financing modalities strongly influence the way in which donors are able to engage with strategic planning. Donors advocate looking at the sector/sub-sector as a whole and on the one hand, they may support this through sector-wide policy dialogue and/or the provision of TA; on the other hand, they may earmark their financial support one way or another for a sub-set of the whole plan. This is often what AusAID does. For instance, the new ESSP in Indonesia continues, as in the past, to target a well-identified sub-set of objectives of the RENSTRA and to provide financial assistance for a circumscribed set of activities. In Vanuatu, AusAID and other donors provide pooled support to the Vanuatu Education Road Map (VERM), a sub-set of the Vanuatu Education Sector Strategy (VESS). Pooled donors in Nepal also co-finance, with the Government, a series of programs constituting the School Sector Reform Program (SSRP), a sub-set of the whole set of government activities in the sector. This is the type of situation found in most FTI approaches: the FTI supports countries to develop sector plans, but has thus far focused on primary education and in most instances, on a specific sub-set of the plan for UPE.

Arguments for such selectivity revolve around the greater development effectiveness of focusing on a smaller set of ‘top priorities’. There may also be considerations of visibility of donor support. In principle, it should be feasible for donor agencies to pay attention to the plan as a whole, whilst financing specific areas in it. Experience has shown, however, that this is usually quite difficult in practice. As noted in the FTI mid-term evaluation and an ODI review of sector support in ten countries/
sectors (Williamson and Dom, 2010), ‘attention follows money’, and earmarking financial assistance to specific parts of a plan, often leads to insufficient focus on the other parts.

Sub-national planning systems: Third, this paper does not discuss situations in which donor agencies engage with specific sub-national governments. Even though the focus is to engage with PGS at the national level, in many countries sub-national governments or administrations are in place, and sub-national planning systems are a critical link to improved service delivery. Yet these are also often found to be weaker than national systems. As a result, donors may give preference to centrally-led programs (as with AusAID in Indonesia). Typically also, when education donors engage with the sub-national levels they may focus on strengthening the vertical links between sub-national education offices and the central ministry (as the SSRP does in Nepal). One danger in this is that of undermining the potential to integrate education plans and objectives with local level decision-making and planning systems, typically also compounding issues of accountability in the partner government structures. This can be seen in PNG, where provincial education heads find themselves somewhat hard-pressed between demands from the MOE and accountability to the provincial government.

Donor agencies may think that more decentralised approaches are likely to demand more time to deliver results, and that focusing on strengthening the central level first will deliver results more quickly. Experience has shown that this is not always the case. For example, in Uganda and Ethiopia, UPE policies were rolled out at the same time as extensive decentralisation policies, and the latter appear to have supported the former. Yet even in these countries with their decade-old SWAps, donors and national education agencies point to weak district planning systems as a reason to (re-)introduce more centralised planning approaches to obtain faster results. The risk is that these approaches undermine and further weaken decentralised planning systems. There is no blueprint answer to these issues, but donor agencies need to be aware of them, make a choice that they can justify, monitor its effects and be willing to adapt their approach over time, as in the examples of Nepal and PNG (Box 3).

Box 3
Strengthening planning in decentralised Nepal and PNG

The SSRP in Nepal relies on vertical channels between district education offices and the national level. These were considerably strengthened by the preceding program and were established when sub-national governments had virtually ceased to function and district education offices served as a (critical) relay between the MOE and schools (that have a large degree of autonomy in this country). The Government is now (re-)establishing a politically decentralised structure, which is likely to entail change in accountability lines for district education offices and could require the donors to adapt the SSRP funding modalities, as recognised in the SSRP documentation.

The weakness of provincial government systems in PNG (given important responsibilities with the decentralisation in 1996) has often been highlighted as a major reason for stagnation in service delivery, with serious consequences for basic education, which is a shared function. At the moment, AusAID and other donors concentrate on national level planning systems. The limitations of this approach are explicitly recognised and steps are being taken to change it. The AusAID country team have recognised the importance of thinking cross-sectorally in engaging with sub-national levels. They intend to work jointly with the health sector and stakeholders in the Government’s Sub-National Development Strategy to identify ways of strengthening provincial planning and more generally, provincial service delivery systems across the board. There is a potential opportunity with the recent introduction by the Government of a function grant system, which makes it compulsory for provincial governments to allocate specified minimum funding levels to nationally identified priorities (including in basic education).

Public financial management systems

Partner governments’ PFM systems comprise several sub-systems or components. In the past few years a framework has emerged which helps to look systematically at the issue of aligning donor assistance with PFM systems. In this framework, aid is fully aligned when a program uses all components of the PFM system, that is, when it is ‘on plan’, ‘on budget’, ‘on Parliament’ (often called the ‘upstream’ PFM components), ‘on Treasury’, ‘on procurement’, ‘on accounting’, ‘on reporting’ and ‘on audit’ (the ‘downstream’ components). It is partly aligned when it uses some but not all components. AusAID programs use different mixes of PFM system components in different country contexts, as is the case for donor agencies generally.
In a number of cases, AusAID financial assistance is now reflected on the government budget and in the process of achieving this, country teams have considerably strengthened their engagement with education financing issues. For instance in PNG, all donor aid has been aligned against the same categories as government funds in the MOE Annual Operational and Financial Plan (AOFP) for the first time in 2010; the contributions of government and donors for specific categories/activities are negotiated as part of the government budget preparation process; budget execution (thus including AusAID assistance) is reviewed through quarterly budget meetings (a government system) attended by AusAID.

Typically with earmarked financial aid, as often used by AusAID, including in all five mini case studies, donor funding is ‘on plan’, to some extent ‘on budget’, but not ‘on Parliament’, because Parliament does not have authority to allocate it, in contrast with its power over the government’s own resources. Earmarked aid is also not fully ‘on budget’ in the sense that it is reflected on the budget but it is not allocated in the same way as government resources. Aid can be taken into account in the budgeting process but governments’ authority over the allocation of aid in the budget is limited by the earmarking, so aid is not aligned with the full budgeting process.

Donors often have stronger reservations about putting aid ‘on Treasury’ and ‘on procurement’ and this in turn has implications for the ways in which aid can be ‘on’ the other downstream components of the PFM systems. AusAID is not an exception. Its financial assistance is not fully aligned to all downstream PFM components in any of the mini case studies; parts of them are used, though different parts in all cases. Box 4 illustrates this diversity.

**Box 4**

The many variants in using parts of the PFM downstream components

In Indonesia the construction component has been ‘on Treasury’ for some years, disbursed through the government consolidated account and system of fund transfers to local school construction committees but not fully ‘on procurement’ (see Box 8). More aid will be more fully aligned in the new program: other activities will use government central and provincial treasury systems and the system of separate procurement of certain services will be discontinued.

In Lao PDR, PNG and Vanuatu, in contrast, AusAID funds are not commingled (pooled together and no longer distinguishable) with the government funds at MOF level. Yet parts of the downstream components are used. The Vanuatu MOF holds and releases funds from a separate pooled donor Development Fund Account: as the government accounting system is able to trace donor money, government agencies can account and report on donor-financed and government-financed activities in the same set of accounts and reports.

In some cases AusAID funding is commingled with governments’ funds at other levels than the MOF level. For instance, for AusAID’s contribution to school grant funding in Vanuatu, the funds released from the MOF-held Development Fund Account are commingled with government funds at MOE level, from where they are channelled to schools. AusAID funds in PNG are disbursed separately from a central level contractor-managed Trust Fund but commingled at the school level. Schools report for AusAID funds in the same way as for government funds and without distinguishing between sources of funds. So AusAID funding is ‘on (school financial) reporting’ in both cases.

On the one hand, the practices depicted in Box 4 are less than ideal. By using some but not all elements of the PFM systems AusAID creates a parallel system with a number of disadvantages. For instance, when aid leaves the PFM system cycle, it is often difficult to re-enter it further downstream, for example, for accounting or reporting purposes. Parallel systems may also have problems of their own, as in the water sector in Ethiopia where donor project accounting systems were weaker than government ones, and as can be seen in the case of Indonesia (see Box 8). On the other hand, these hybrid systems may gradually develop into more fully aligned systems. Donor systems can also ‘shadow align’ with government systems and this may contribute to strengthening PGS. In PNG, for example, although AusAID direct financial assistance for the MOE AOFP is disbursed from a managing contractor-administered account for a transitional phase, systems of request, release, accounting and reporting are similar to those of the Government. Lessons learned from operating these shadow systems can be useful in strengthening government systems. What matters in such cases (hybrid and shadow systems) is that there should be a time-bound strategy based on clear benchmarks, for gradually moving towards fuller alignment.
The detailed design of exactly which parts of the partner government PFM systems are or are not used is based on an assessment of these systems. Education donors may decide to work together to assess government PFM systems and design the way in which aid will be aligned with them. AusAID has been working in Vanuatu with other donors and the Government to assess systems and develop a modality acceptable to most donors (the Development Fund Account and other systems described in a Joint Partnership Arrangements document). Even with a joint assessment, donor agencies may adopt different designs in some cases. This reflects differences in institutional policies, sometimes in relation to PFM risks but not always, as other factors may be involved. In Indonesia, AusAID and its companion donor, the European Union (EU), jointly support the same set of ESSP objectives but the EU will use sector budget support (SBS), in line with its outcome-based financing policy, whereas AusAID will use earmarked financial assistance to advance funds for inputs.

In the case of Nepal (Box 5), AusAID joined a well-established joint program and therefore could rely on other donors for much of the financial assessment work, including regular monitoring of fiduciary risks. It also trusted other donors’ decisions about the type of aid, and in this way, joined in a design which uses downstream components of government PFM systems. AusAID might not have been ready to do this if it had been alone, which show that past track record and the pooling of risk with a large group of experienced donors are important.

**Box 5**
AusAID using government PFM systems in Nepal

The SSRP in Nepal pooled donors to release funds in a foreign currency account, which the MOF draws on to reimburse the government consolidated account for actual expenditures, which fit in the categories of eligible SSRP expenditures and for which the Government can account. This modality was designed following assessments conducted by the World Bank (WB), UK Department for International Development (DFID) and the ADB. In effect, donor funds use all downstream components of the government PFM systems (with limitations on procurement), ‘ex-post’. However, the reporting, monitoring and auditing systems applied for the SSRP activities have been considerably tightened compared to government mainstream systems (and these systems are assessed every two years as Nepal is considered as a high fiduciary risk environment). The measures put in place for the SSRP-eligible activities have worked well so far to mitigate risks. Yet one down-side has been the slow pace of disbursement of the donor funds, as government agencies find it hard to comply with the stringent accounting and reporting requirements. This is problematic considering that donor financial assistance refunds indispensable recurrent expenditures such as teachers’ salaries through the school grant system.

As AusAID education staff address issues of PFM system assessment and the need for strategies to gradually align aid to education more closely with partner governments’ PFM systems, it is important that they engage with donor colleagues involved in PFM reforms in order to link up education with these reforms.

Human resource management systems

It is well documented that motivated and qualified teachers are the single most important input for quality education, and teachers’ salaries invariably make up the largest part of the education budget. On this basis, donors should prioritise teacher issues, although clearly a challenging undertaking. Policies need to look at issues of quantity, quality, cost and management of teachers as a whole so there are links with planning and budgeting systems and quality assurance (QA) systems. Engaging with partner governments’ human resource management (HRM) systems is an important part of addressing the challenge, but is one which is often overlooked.

Williamson and Dom (2010) found that few sector approaches had actually engaged with HRM systems, even though issues within them were identified as a major hindrance to improving service delivery. In several education programs (in Vanuatu and PNG for example), AusAID is supporting teacher training or continuing professional development (CPD) as part of the priorities agreed jointly through planning and budgeting systems. This is still some way off from addressing HRM issues as a whole. The issue here is not about donors literally using PGS to help resolve issues related to teachers, but about how they can help to bring about systemic improvements, more or better than has been done thus far. Box 6 provides some examples of what is being tried and of the limitations often faced by education stakeholders.
Box 6  
How can education donors support strengthening education HRM systems?

In Nepal, the SSRP financially supports teacher salary grants to schools and most schools are responsible for recruiting teachers. Critical issues are: unbalanced teacher deployment, teacher absenteeism and low teacher qualifications. The program intends to address the issue of low qualifications through a mix of support to teacher training and strengthening the system of teacher licensing. Through the grant system, SSRP will provide additional teacher salary grant funds to schools where more teachers are needed and in the same way, discourage new teacher recruitment in schools with a surplus of teachers. The SSRP also intends to develop a system linking teacher promotion to performance assessment involving the local school stakeholders.

Another interesting example arises in Lao PDR where AusAID is de facto working through the government HRM systems as it provides general budget support through co-financing a multi-donor Poverty Reduction Support Operation (PRSO). Among other education-related issues, the PRSO helped ensure that the Government improved the monitoring and timeliness of payment of salaries to teachers, as late payment had been identified as a major factor hindering the provision of education.

In Nepal and Lao PDR, it is unclear whether these measures will be sufficient to tackle teacher absenteeism if there is no change in aspects such as salary conditions. The MOE and sector donors in Cambodia had documented as early as 2002 that low teacher salaries represented a major obstacle to achieving real fee-free education (as teachers continued to levy fees directly from children), thus undermining the effects of the newly rolled out school grant system. Yet eight years later the issue is still not resolved, and the negative effects are still there.

In Nepal and Lao PDR, the fact that donors are directly engaged in financing teachers’ salaries has given them leverage to address a number of difficult issues that other types of aid are typically less well equipped to tackle. Yet in Cambodia, budget support donors did not get any traction, because of much weaker links between sector and civil service reforms compared to the links developed between sector and PFM reforms. Further progress in addressing teacher issues in all three countries is likely to depend on education donors paying more attention to, and helping to develop, strong links between education sector reform and civil service reform. In some countries, this will mean working with Teacher Service Commissions or similar bodies.

School level systems

School funding systems are a very important component of a partner government’s systems in education, and AusAID actively supports fee-free policies and school funding systems in many of its programs. But the reality behind this simple principle is complex and varied. In Lao PDR and Vanuatu, the school grant system is new and the policy dialogue associated with the partnership approaches recently adopted in these two countries helped to prioritise it, as also in Cambodia in 2001/02. Whereas in PNG, AusAID financial support complements government funding in a pre-existing government school grant system. There are a number of critical issues in donors ‘co-financing’ school level funding.

Sustainability: First, school funding should be considered a core recurrent obligation in the same way as teachers’ salaries. When donors earmark funds for the school level it is important to be clear about phasing-out modalities and timing, and to carefully weigh options for channelling donor assistance. A system is in place in Vanuatu for the gradual reduction of donor financing and 100 per cent government financing over a five-year period. This is less strictly defined in PNG. AusAID has an entry point in government budgeting and so can negotiate at the national level. But provincial governments are supposed to provide half of the school grants and this has proved to be problematic. Engaging with them therefore is a prerequisite to making the school grant system sustainable, which refers back to the issue of strengthening commitment and capacity at provincial level and ensuring that provinces are adequately and fairly resourced to be able to fulfil their role in service delivery.

Fund channelling options: Second, it is important that school funding should be reliable: timely, regular, and matching entitlements which schools and local stakeholders should be aware of. With a view to ensuring this, school funding systems may be centrally financed even where sub-national governments or administrations are in charge of school management, because of fears that they might not prioritise school funding in often constrained local budgets. Fears of leakage at those levels also lead to systems where funds flow directly from the MOF to school bank accounts, as
in Indonesia. In countries like Ethiopia, where information technology and banking systems are less developed and this is not practically feasible, funds are channelled through districts but strictly earmarked.

Donor agencies should be aware that there may be a trade-off between possibly greater reliability and sustainability. If the intention is that sub-national governments will eventually take over school funding but they feel sidelined by centrally-managed programs, this gives them little incentive to actually prepare for taking over this responsibility. This is a concern raised by some stakeholders in both Indonesia and Ethiopia.

Typically, regularity, timeliness and integrity of fund flows are monitored through various means including purpose-specific surveys (e.g. in Vanuatu), school-based audits, regular third party independent assessments (e.g. in Nepal) and Public Expenditure Tracking Surveys (PETS) – annual PETS take place in Rwanda as one of the policy priority actions against donor provision of SBS. It is also important to fully exploit the power of making local stakeholders better informed, if backed by political will to address problematic cases. In Uganda, the main way in which massive leakage of funds intended for schools was drastically reduced over a short period (1993-1996) was to make sure, using various means, including the media, that society at large was aware of schools’ grant amounts and of when releases to districts, supposed to channel funds to schools, were actually taking place.

Where AusAID supports school funding, this can give financial leverage to help to develop or strengthen school governance and school planning systems. International experience has shown these to be critical to ensure better returns on school funding as an investment. Donors can help in strengthening the link between school planning and national strategic objectives. In Indonesia for instance, this will be done through the Educational Quality Assurance System (EQAS). This outlines national minimum standards linked to the Government’s education quality objectives, which should become a foundation for school and district planning (and monitoring). AusAID has supported the development of the EQAS and will support the MOE in organising and implementing an EQAS-focused training program for all districts and schools in the country. Work on school planning systems has also been undertaken in PNG and Vanuatu. Minimum standards are being developed in Vanuatu, based on a prior study of education unit costs.

Donors also need to consider institutionalised ways of building school governance and planning capacities as a part of the partner governments’ school support systems. School management training is now being offered by teacher training institutions in Rwanda as a regular service, after an initial round of training supported more directly through a donor-financed capacity development fund. Donors pooling their support to the SSRP in Nepal intend to help the Government to strengthen the existing School Improvement Planning (SIP) process, tightening the way in which school SIPs reflect national strategic plan objectives such as social inclusion. At the same time, donor agencies are trying to think about ways of institutionalising the measures taken under the SSRP to strengthen school governance, as shown in Box 7.

**Box 7**

**Strengthening sustainable school governance systems in Nepal**

Schools are established by communities in Nepal, and not by the Government. Although community schools are financially supported by the Government (through a number of grant transfers), schools recruit teachers, procure instructional materials, plan for school improvement and generally decide how to spend the school budget under the guidance of a legally mandated school management committee. This high level of autonomy is something that education stakeholders want to protect as it has been a major factor driving progress in education throughout the period of conflict. The SSRP has been designed so that donor financial assistance fully supports this system.

Another strong thread of the education policy is to ensure greater social inclusion. This fits with a whole-of-government effort to address the strongly exclusionary nature of formal and informal systems in the country, with ‘lower castes’ for example having much lower access to basic services than other groups. In the education sector, the onus is on the school management committees, which must internalise the national social inclusion objectives and be accountable for adhering to the policy. To this effect, the MOE has developed a system of annual compulsory school social audits, which are a condition to schools’ access to certain types of funds. Guidelines have been developed and the MOE is providing training to local stakeholders. The number of schools having completed a social audit is recorded annually in the EMIS and annual sector plans at the central level have to include measures showing how social audit findings are followed up.
Input delivery systems

Together with teachers and some funds for schools, quality instructional materials and reasonable school infrastructure are indispensable to quality teaching and learning. Delivering these inputs is in part related to the QA systems (e.g. textbooks depend on the curriculum), and also to the broader sector planning, budgeting and PFM systems. However, for both types of inputs, there are a number of similar ‘delivery system’ questions: Who finances what? Who procures what? How are inputs managed?

Systems for provision of instructional materials: Financing, procurement and management systems for instructional materials are typically weakened when countries experience a surge in enrolment growth rates linked to fee-free education policies, or by a sudden change in government structures as with the ‘big bang’ decentralisation in PNG in 1996. Prolonged instability (as in DRC) may disrupt systems totally. Systems that are in place vary considerably in terms of policy and responsibilities for textbook financing, procurement and distribution, and use at the school level. In addition, the prevailing QA systems, in particular language and curriculum policies, may have significant implications for the establishment of a sustainable textbook provision system. A delivery system which suits a country where there is one teaching language may not be suitable for a country like Ethiopia where primary schools teach in twenty different languages. The frequency with which a country finds it necessary to revise the curriculum is also important. In fast developing countries there may be a case for curriculum revision to be more frequent than in more stable economies. Finding ways of providing adequate assistance in this area is a challenge education donors grapple with across very different country contexts.

Both government financing and procurement systems can be problematic. But it may be detrimental for donors simply to substitute for governments. For instance, AusAID’s past approach in PNG of large-scale project-financing and procuring of textbooks led the Government to rely entirely on this and to stop funding textbooks from its own resources. When AusAID project funding ended it became apparent that in the course of the decentralisation legislated in 1996, responsibilities for instructional material provision had not been clearly allocated in the new government structure, and the textbook provision system collapsed. The Government has now begun to budget again for instructional materials. AusAID currently supplements the Government’s own efforts, procuring separately as an independent assessment showed that procurement systems are high risk. However, at the same time a capacity development plan is prepared and will be rolled out to improve government systems.

One important question is: Where is the procurement responsibility located? This will direct where to channel funding for instructional materials. Devolving procurement to the school level is often resisted by government authorities on the grounds that schools will not have the capacity and, where textbooks can be bought on the market, that the delivery network will not reach remote parts of the country. In countries like Uganda and Zimbabwe however, this worked well and booksellers developed networks all over the country. Devolving responsibility to schools may also encourage more responsible management of textbooks. But again, what may suit one context may not suit another. There was a saying in Tanzania in the late 1990s that where Coca-Cola could be found, booksellers would go if this was where there was money for books. But there are countries with many remote areas where enrolment numbers are so small that booksellers may simply decide that it is not worth their while to go, as in the Somali Region of Ethiopia.

School construction and maintenance systems: Building school infrastructure has typically been an important activity of AusAID in a number of countries. The broader planning and budgeting systems need to ensure that once built, schools will be staffed and equipped with the necessary inputs. However before this, issues may arise with partner governments’ systems of prioritisation (where schools will be built/rehabilitated), construction management and procurement. Box 8 highlights how AusAID dealt with these issues in its program in Indonesia, and how it has adapted the modalities in its forthcoming program to reflect lessons learned from earlier experience.

There are several broader lessons from the example in Box 8. First, when working partly through and partly in parallel with government systems, there can be issues at the interface between aligned and non-aligned parts of the resulting hybrid system, as in the case of the dual accountability of the construction development contractors (CDCs).
The BEP 2006-2009 of Indonesia included a large part of loan funding for which it was mandatory to use government systems. At the same time the Government had identified the expansion of secondary school infrastructure as a high priority, the school-based construction management system had a reasonable track record, and there was an agreed system prioritising most deprived areas. This underpinned the decision to have a large-scale construction component in the BEP and the design of this component. Like government funds, BEP loan funds were channelled from an MOF consolidated account to bank accounts of local school construction management committees. AusAID funding was not commingled at school level (there were AusAID schools, receiving all their construction funding from AusAID, and ‘government schools’). School sites were all selected by the MONE through the same process (based on district proposals) and AusAID used government construction designs and standard costs. Reports were following the same route as for government funds.

There were three major derogations to using the government systems:

i. MONE procurement systems were weak and AusAID schools employed a managing contractor to hire the CDCs, which in the government system were hired by MONE to assist the local committees.

ii. AusAID hired field supervisors to strengthen program monitoring, normally a responsibility of the districts that was often not satisfactorily fulfilled.

iii. The AusAID program was externally audited outside of government systems.

All three derogations created problems. The CDCs hired by AusAID were more expensive for no better services and the arrangements through which the CDCs were paid by the managing contractor but were accountable to MONE did not work well. The hiring of field supervisors worked well to identify issues but not to address them: the lengthy feedback loop going all the way up for decisions by MONE then down again for instructions on how to tackle the issues meant that by the time instructions reached the local level, things had moved on. The use of an external auditor proved to be problematic because MONE/the Government did not feel compelled to act on its recommendations.

Learning from these lessons, the ESSP intends to do away with the parallel CDC hiring and field supervisor monitoring systems and to use Indonesian audit institutions to carry out the external audits of the program. The challenge for the AusAID team in Jakarta is to find ways of doing this which still satisfy AusAID internal integrity and accountability requirements. This is not easy because MONE procurement systems are as weak as they were five years ago since the BEP did not try to strengthen them. MONE will only use government funding to recruit CDCs, so AusAID funds are not, strictly speaking, subject to unacceptable fiduciary risks. But at the same time, the whole AusAID construction program depends on MONE unreformed systems to procure CDC services. Through the ESSP, the AusAID team will now be involved in the procurement process as an observer so that over time they gain understanding of it and can suggest how to strengthen it.

Second, it is important to strike a balance between reaching tangible service delivery results in a tight timeframe and paying attention to longer-term systems and capacity development objectives. The Basic Education Program (BEP) succeeded in building 2,000 schools in five years but there was no time to strengthen weaker parts of the Ministry of National Education (MONE) systems (procurement or monitoring) simultaneously. These were bypassed, with the result that they remain an issue for the ESSP. Accordingly, the new program has a different overarching objective: it is no longer about building a target number of schools as rapidly as possible, but about strengthening MONE systems for the long term. This in turn will have implications for how quickly some activities will be carried out and will require a change of mindset for MONE and AusAID Jakarta and Canberra offices.

Once built, schools need to be regularly maintained. This is a vexed issue in many education systems around the world: donors financing school construction therefore need to focus on maintenance systems. Adequate systems entail clear roles and responsibilities with commensurate financial resources and capacities, all of which can be problematic. Local technical capacity in asset management and infrastructure maintenance is often in short supply and maintenance budgets typically compete with other equally pressing priorities. School maintenance in decentralised countries is often a shared responsibility between the school and local government. Yet local government authorities may fail to allocate budget resources because of low ownership of national policy goals. Schools built by MONE in Indonesia are handed over to district governments. This system does not bring much political capital to local politicians, who do not see much incentive to prioritise school maintenance in the local budget. In Uganda, this has been tackled through addressing district government incentives. To obtain discretionary funds for capital investment under the cross-sectoral Local Government Development Program (LGDP), district governments have to meet a number of conditions, including adequate asset management systems and minimum allocations for infrastructure
maintenance in the district budget. This has been found to be effective in encouraging districts to better maintain local infrastructure, including schools.

**Quality assurance systems**

The following systems all define what is being taught and learned and so, assure the quality of the ‘products’ of the education system: curriculum development; standard-setting and accreditation of teachers, institutions and programs; teacher training; school inspection; and exam and learning assessment systems. These systems operate within the broad systems of policy setting, planning, budgeting and PFM, and are interlinked to HRM and input delivery systems. For instance, developing a curriculum is a part of setting the sector policy; the roll-out of the curriculum must be planned and budgeted for; an effective system of textbook development must be in place to make the curriculum operational. The QA systems are also all linked to each other. Not without its challenges, working with the partner government in these systems is indispensable (it does not make sense for the curriculum to be developed by donors, for example).

National learning assessment and testing systems are a critical area for AusAID support, in particular to understand how the education system produces learning outcomes, and these have been looked at in a separate paper in this series. More broadly, the World Bank System Assessment and Benchmarking for Education Results (SABER) program includes the development of diagnostic tools for the education system. AusAID and other partners are supporting an approach to develop this work in the Pacific, in particular to benchmark critical aspects of the system that influence learning outcomes, including teacher quality, curriculum and materials, school management, and learning assessment systems.

**Performance monitoring and accountability systems**

Reporting, monitoring and accountability systems are three closely interlinked sub-systems in PGS. Together, they should provide critical inputs to the policymaking, planning, and operational management systems (e.g. budgeting, HRM, school level governance and planning), whilst being based on clear standards set throughout the policy and planning systems. Performance monitoring systems include systems of reporting and of use of the reported information: at each reporting level, at higher levels, for feedback, and to hold institutions, structures and individuals to account.

These systems depend on the government structure and on the country’s legal and regulatory frameworks defining mandates, roles and responsibilities and accountabilities, and so vary significantly from country to country. For instance, in Ethiopia, elected councils at district and sub-district levels are supposed to hold service providers to account, including schools. In other countries, at these levels there will only be a de-concentrated administration but schools may also have far more autonomy, as in Nepal. These differences have implications for performance monitoring systems. It is also important to understand how systems work in practice. For example, parents’ assemblies in Cambodia are supposed to have a role in assessing teachers’ performance. Yet this is very difficult in an environment in which teachers decide whether a child enters the classroom or not, depending on whether the (required) informal fees have been paid.

Together with adopting partnership approaches, AusAID has committed to moving towards greater use of PGS to monitor performance in the education sector generally, as well as the results of its own assistance. This is an important move which raises a number of challenges, not least that of dealing with the diversity just outlined.

Within this diversity there is one building block necessary to any performance monitoring system in the education sector i.e. a functioning Education Management Information System (EMIS). While most countries have systems of annual school censuses, in partnership approaches, being able to rely on a robust EMIS becomes a priority for donors, and many SWAps include components aimed at developing and strengthening the EMIS. Common sense suggests that this should start by building on existing systems, but this does not always happen. For instance, in DRC in the early 2000s, the annual school census system had fallen into disuse although most schools were still keeping detailed statistics. But instead of building on this, donors invested in a sophisticated new system developed with TA support. After a few years, it became clear that the government could not afford the costs when donor support
was phased out as planned. An emergency plan was then developed to start again from scratch, this time building on the existing school statistics and re-establishing a collection system.

In poor and vast countries with little infrastructure, regular data collection and management and database maintenance is a massive logistical challenge. Even more challenging is the building of capacity to analyse data and use it at all levels. The FTI mid-term evaluation (2010) found that this challenge has rarely been successfully addressed. In an older education SWAp, like that of Ethiopia, donors have had to contribute to regularly revamping the EMIS, and to this day, districts continue to have little access to EMIS data for planning purposes. Perseverance is therefore key. It can help to link up to broader efforts to strengthen national statistical capacity in the country concerned. Linking education and broader poverty statistics in the early days of the SWAp in Cambodia enabled the analysis of access to education in the different income quintiles, which was critical in convincing senior officials of the importance of the proposed school grant funding system.

Another cornerstone is a PFM system that allows timely access to relevant and comprehensive financial data, preferably including financial reporting on aid funding, as is now the case in Vanuatu and PNG (where aid is ‘on reporting’). This has implications for processes and also for the structure of the government budget, which ideally must be capable of providing meaningfully disaggregated financial information (identifying education levels, programs, and salaries versus other critical inputs). This often requires reforming the government budget structure, a challenge which the PNG country team has just begun to address. If aid is not ‘on (government) reporting’, the onus is on donors to provide relevant information at relevant times in the budget cycle and in a format which allows easy consolidation of government and donor financial data.xi

Another common challenge is weak administrative systems that may not be capable of providing a regular and reliable overview of the functioning of institutions and agencies and of program and activity implementation across the sector. Country teams in PNG and Indonesia highlighted the challenges linked to moving from managing contractor-based reporting to systems in which reporting is the responsibility of government agents. Working to strengthen government administrative reporting systems requires long-term commitment. Yet where to start is a big issue. Often, the basics (like filing systems and capacity) are overlooked, the more so because donors usually have other ways of setting priorities. For instance in Nepal and Vanuatu, where AusAID and other donors earmark their financial assistance, the focus is on initially strengthening the reporting systems for the part of the sector plan for which donor funding is used. This may make sense but should be seen as a temporary measure.

An important aspect of partnership approaches is how donors engage with performance monitoring for the sector as a whole. To do this, many SWAps develop performance monitoring arrangements around sector performance assessment frameworks (PAFs), jointly agreed between the partner government and the education donor group (or a number of donors), and against which progress is regularly reviewed through Joint Annual Reviews (JARs). A joint sector PAF and a system of JARs are being developed in PNG. The Indonesia Government, EU and AusAID are working against an ESSP results framework aligned with the broader RENSTRA results framework. SSRP achievements in Nepal are measured by assessing progress using a small number of key performance indicators measured annually, and there is close monitoring of a fuller framework of intermediary results. However, these systems have their own challenges, as highlighted in Box 9.

Individual donor agencies also need to consider how they can align their internal accountability requirements with the government and partnership systems. First and foremost, broad sector support approaches require a change in mindset in donor agencies. They need to think in terms of contribution rather than attribution: a donor supports a set of agreed priorities jointly with other donors through government-implemented programs and activities, some of which government also finances, and which focus on high level goals that may be affected by myriad factors. The challenge for donors is to be able to identify (and measure) how and to what extent their assistance contributes to achieving partner governments’ targets and outcomes.
Box 9
Key issues for consideration in designing Joint Annual Review processes

Integration with broader government systems: Sector JAR systems and processes can be a very heavy burden on limited government resources. They may become a full-time activity in their own right. This may be good if they also become central to government policymaking and practice. International evidence is mixed. In Cambodia, Mozambique, Rwanda, Tanzania and Uganda, the JAR system was quite rapidly expanded to most sectors and gradually linked more strongly to key government systems. In other countries JARs are seen as a donor requirement. The literature highlights the risk of ‘SWAp fatigue’ and there are views that in some cases, fatigue has won over and the architecture has become an empty shell (e.g. in the health SWAp in Bangladesh).1

Essentially, to be successfully integrated, JARs must be useful to the partner government and therefore carefully linked to their key policymaking, planning and budgeting cycles. This requires thinking about timing and information/reporting flows, and buy-in by the central agencies that lead these cycles (especially the MOF and the national planning agency where it is separate, as in Indonesia and PNG). Examples of good practice include: the detailed joint government/development partner aid management and budget calendar in Rwanda (embracing all sectors and types of aid); the joint sector groups’ contributions to the government-wide preparation of the Budget Framework Paper in Uganda; the use of government/donor agreed sector PAFs by ministries to report to Parliament in Mozambique;2 and the merging of the annual sector review with the pre-existing annual education conference in Cambodia – a good practice that the PNG Education Sector Investment Program (ESIP) process also intends to adopt.

Mutual accountability: JARs should be based on clear obligations on both sides. These can be captured in partnership documents like the Joint Commitment of Principles and Actions currently being finalised in PNG. These usually specify donors’ expectations in terms of information to be provided by the partner government (e.g. annual budget execution reports, next year’s plan/budget proposals, EMIS-based data and analyses and policy discussion papers). More rarely, though this should be good practice, partnership documents also outline donors’ obligations (notably that of providing relevant information on intentions and commitments in terms of financial assistance).

Mutual accountability commitments can also be captured in government-wide aid management frameworks such as the Uganda Joint Assistance Strategy and the Rwanda Aid Policy (also in Zambia and Tanzania). In Cambodia, the Government and partner donors have put in place a whole-of-government system of Aid Effectiveness Priorities embracing sectors, against which progress is annually jointly reviewed and new priorities identified. Other examples include the Afghanistan Aid Policy and Compact and the draft National Aid Policy of Nepal. There has been no systematic review of these broader frameworks. In some cases they have been found to usefully strengthen sector systems; in others, they seem to have constrained sectors that had moved ahead of the pack (often education).3 It is critical that JAR/PAF and mutual accountability systems should be designed in such a way that they support, and do not substitute, domestic accountability processes.

It is also usually a challenge to adequately involve non-government partners such as NGOs and churches. One decisive move in Cambodia was the formation in the early 2000s of a membership-based consortium of the NGOs active in education, which from then onwards was represented on the joint sector structures, a move initially supported by some donors.


At the process level, a review of SWAps in 2007 found that donors often continued to have separate project/program review processes, even though they had signed up to the SWAp and were indeed participating in annual reviews and so on. For example, in Cambodia, where annual reviews had been in place since 2001, most donors still had additional separate reviews and high level meetings with officials in 2006.4 A better practice has emerged over time whereby donor-specific reviews are integrated or held back-to-back with the sector review. In Vanuatu, it is hoped to replace all other donor reporting and review mechanisms with JARs and Education Budget Meetings. These have been merged and timed so as to fit with the government budget cycle and to allow reporting and reviewing of progress made against the annual New Policy Projects of the VERM. As with other PGS components, the challenge is to strengthen government systems (EMIS, administrative and financial reporting, standard setting and monitoring) in order to be able to align aid better.
Strengthening partner government systems

As demonstrated through the framework dimensions, PGS are complex, with strengths and weaknesses that differ from one country to another. AusAID guidance makes it clear that to use PGS in a particular context (country and sector) it is necessary to assess the risks entailed. If it is decided to support the sector in spite of the risks, a strategy is then needed to mitigate these risks in order to deliver aid to the sector. The choice of types of aid will be reflected in this strategy. Most importantly, AusAID also needs a strategy to further strengthen the PGS to be able to continue to move towards greater use of these systems.

Assessing risks of using PGS

Moving towards greater use of PGS requires a bifurcated sequence following an initial step of system assessment and analysis. The assessment will identify both strengths which can be built upon, and risks which need to be addressed. In turn, where risks are identified, usually linked to specific parts of the PGS, action must be taken on two fronts. Firstly, AusAID (and other donors) needs to design means to deliver aid in the short term. Secondly, a government-led joint strategy must be developed aiming to reform and strengthen the weak parts of the PGS, so that AusAID and other donors can use them over time. In PNG for instance, procurement systems were showed to be unacceptably weak. Textbooks are procured through a contractor for the short term, whilst AusAID has also helped develop and will fund a procurement capacity development plan.

AusAID has developed guidelines on how system analysis and risk assessments should be conducted and when in the aid delivery cycle, focusing on PFM and procurement systems. Guidance is not exhaustive: PGS in the education sector work through a number of other critical systems, and it is important to assess these as well as informal systems and the political economy of change in the sector and the country as a whole. In contrast with PFM and procurement systems, there is no standard guidance for assessing other PGS, although work has been undertaken in relation to some of them. The framework and examples outlined in this paper are a first step to thinking about the different systems and their interrelations and identifying the issues to investigate. The World Bank’s Education Sector Strategy 2020: Learning for All (draft for consultation at time of writing) highlights the importance of strengthening education systems to improve learning and proposes new tools for education system assessment and benchmarking for results that will improve the knowledge and evidence base.

AusAID guidance, in line with international thinking, recognises that there are different types of risks associated with using PGS:

- **Fiduciary risks**: i.e. AusAID funds are not used well. For instance, leakage in school funding flows, or collusion in construction schemes.

- **Developmental risks**: i.e. that AusAID development goals are not achieved. There are different types of developmental risks. For instance, inflation may affect the price of cement for school construction (macroeconomic risk); an upcoming election may lead to increased partner government spending on non-priority areas, or unreliability in government contribution in a scholarship scheme may lead to failure of efforts to reach vulnerable groups (governance risks); in Vanuatu and PNG, partner governments may not honour their commitments in relation to school funding because of insufficient economic growth (sustainability risks).

- **Reputational risks**: i.e. that public opinion condemns the provision of aid if the other risks materialise, because it is then seen as misdirected.

AusAID guidance also stresses that it is important to balance the risks against the likely benefits. In Indonesia, the risks of local level collusion in school construction activities (between the contractors and the CDCs, for instance) could not be completely eliminated, but the assessment showed evidence that the community-based management modalities had worked reasonably well in the past, and that costs of using them were much lower. In the early 2000s in Uganda, a decision was made to move towards decentralised management of school construction on a large scale for a similar reason.
Additional benefits were the local community empowerment effect, and that the system avoided greater risks of higher level corruption arising with more centralised modalities.

All donor agencies grapple with a number of challenges in assessing risks and benefits of using PGS, some of which are highlighted in Box 10. These are issues for which there are no easy solutions but which AusAID staff should be aware of, and factor into decisions.

Box 10
Some of the challenges of assessing risks and benefits in using PGS in education

There are also risks for the partner government when donors use its systems. For example, if for any reason donors were to decide to cut the SSRP financial assistance in Nepal when the Government had incurred costs which it would expect to be reimbursed for, this would have implications for the execution of the government budget as a whole. The moment donors start funding large sets of government activities (and especially recurrent costs), within-year cuts are a huge risk to the partner government. Generally, the more aid becomes ‘embedded’ in government systems and in particular, in planning and budgeting systems and plans and budgets, the more important it is for it to be predictable, in both the short and the medium term.

It is also important to assess trade-offs between different types of risks. For instance, tight reporting requirements on school funding may cut down fiduciary risks. But if they are too tight and schools and other levels fail to meet them and further releases depend on reports, schools may go without funds, which may have serious developmental consequences. Or, choosing a centrally-led program to carry out local level activities, rather than a program entailing greater responsibilities to local governments, may achieve certain results more speedily, but may present a greater risk for other results. This can be seen in Indonesia, where district governments are reluctant to allocate maintenance funds for schools built through the MONE centrally-financed program.

Should donors assess fiduciary risks more broadly than for donor funding only? Risk assessments focusing on donor funding usually lead to attempts to insulate donor funding from the weak parts of the government systems. Yet inefficiencies in these weak parts often affect the objectives of the donor support program one way or another. For instance, we have seen that AusAID funding in Indonesia will not be used for the recruitment of the CDCs to advise local construction committees, as the systems to hire the CDCs are deemed too risky. So AusAID avoids the fiduciary, procurement and reputational risks associated with these systems. However, the fiduciary and procurement risks apply for government funding and so there are value-for-money and developmental risks for the construction program as a whole if the CDCs recruited through the government systems prove to be unable to fulfil their role properly, and these risks do extend to AusAID schools.

Despite the difficulties, there are also risks in not using PGS, that is, the risks that weak government systems remain unreformed and continue to hinder development.

Joint donor processes

In new partnership approaches the bifurcated sequence of steps outlined earlier should ideally involve all relevant donors and the partner government. It is indeed increasingly common for donors to work together and for the partner government to be involved in system assessments for which there are recognised standards, such as the Public Expenditure and Financial Accountability methodology for PFM systems. For instance, AusAID financed the assessment of government procurement systems in the education sector in PNG on behalf of all education donors. Systems for which there are no standard assessment tools are less often jointly studied. And other steps in the sequence often continue to be taken separately.

In particular, each donor agency makes its own decisions concerning the types of aid they will use (to mitigate risk in the short term), basing not only on systems and risk assessments but also on internal priorities, rules and procedures, and their own domestic accountability requirements (to Parliament and/or Board). So for instance, AusAID and EU are going to use different instruments in Indonesia; in Vanuatu, AusAID led in the design of a joint funding instrument which it is hoped that most donors will join (many have done so already); in Nepal, AusAID joined an established joint funding instrument. It is important to recognise that different donors may continue to use different types of aid and instruments in sector approaches and to discuss this openly with the partner government. In some instances it may be a good thing if different donor instruments can be made complementary.

What matters more is to adopt a joint strategy in developing and supporting a program of strengthening of the PGS (and wherever possible, using harmonised ways of supporting this strategy).
Approaches to strengthening PGS

Context specificity and prioritisation: Typically, using and strengthening PGS should go hand-in-hand. Examples highlighted in this paper show that there is no ideal format for a strategy aimed at strengthening PGS in education. The systems are complex, the needs are varied, and responsiveness and flexibility are critical. In any particular country context, the focus should depend on the systems, what is under way in cross-cutting reforms, and what are the most critical system bottlenecks in the sector.

In prioritising what to support it can be useful to consider three entry points:

1. **Policy, process and system development**: the role of policy dialogue and advisory TA. For example, this could involve focusing on further developing the function grant system in PNG. In Cambodia (see Box 2), there was TA to help the MOE to develop the education PAP system. Linking up with PFM reforms and identifying priorities to make PFM systems responsive to the education sector needs, is likely to be a priority in many instances – as explained in Box 11.

2. **Individual/organisational capacity development**: organisational change processes (and change management skills for senior officials), imparting new skills to staff. The focus should be on activities enabling implementation of the new or reformed policies, processes and systems (once agreed). The EQAS training program in Indonesia is a good example of this.

3. **Shifting attitudes and behaviours**: focusing on incentives. New policies, processes and systems, new ways of working and skills will remain ineffective if incentives are not changed to promote necessary new attitudes and behaviours. Donors need to be aware of the different ways in which suggested reforms affect the existing incentives of different agents, and ensure that their support to capacity development recognise, respond to and address incentives throughout the system. For instance, in Indonesia, AusAID and the Government will consider whether some conditional grant-funding might be provided to district governments to address the lack of school maintenance funding. The Uganda LGDP is another example of a design able to influence incentives in the desired direction.

**Box 11** Examples illustrating why PFM reforms are often a priority

Where AusAID contributes to PFM reforms this may help build confidence in government systems, as suggested by the experience of the country team in Vanuatu. Conversely, PFM reforms should be made responsive to the needs of the education sector. This often means attention to specific aspects of the PFM system that cross-cutting reform teams may not always prioritise spontaneously.

For instance, an early success in Uganda involved obtaining agreement from the MOF that the release (spending authorisation) of the last quarter of the education budget would occur five months before the end of the financial year, allowing enough time for the MOE to complete the 90 days procurement process indispensable for using its annual budget within the fiscal year. This then prompted the MOF to pay attention to this issue more systematically in its PFM reform program.

In many countries, systems channelling funds to schools and salaries to teachers are problematic, as in Vanuatu and Lao PDR. Improving the timeliness, predictability, reliability and integrity of these critical fund flows should typically be made a priority in PFM reforms.

Reforms of the budget structure and chart of accounts should also be considered at early stages in order to allow meaningful analysis of education budget allocations and expenditures (e.g. identifying critical expenditure such as school funding, school maintenance, textbook provision and funding for inspection services). This also encourages donors to put aid ‘on-budget’ more fully. For instance, the PNG country team has succeeded in getting external assistance aligned with the education AOPP. The next steps are to better align AOPP and annual budget structures with the education Mid-Term Expenditure Framework, which the ESIP technical working groups are in the process of developing. To do this and avoid having to develop ‘cross-over’ tables and additional reports, the ESIP thematic working groups are likely to have to raise the issue of reforming the government budget structure.

**Mix of inputs**: There is no readily made mix (TA personnel, training, etc.) that will work in all instances and address all types of needs. Clearly, moving towards using PGS implies a paradigm shift in the provision of TA, with a move away from the managing contractor model to a model in which TA
personnel should have primarily an advisory role. Strengthening PGS in the education sector must also not be done as an isolated exercise, but accompanied by work to strengthen national-level systems. When the systems to be reformed are cross-cutting by nature, education stakeholders should ensure that what is done in the sector is consistent with broader system-strengthening programs and draws on opportunities arising from cross-cutting reforms and support programs. In particular, in countries where AusAID supports cross-cutting reforms, it should make sure that TA and other capacity development support in sector and cross-cutting reforms are linked in practical terms, for example, with obligations to share analyses, and an emphasis on the role of TA as facilitating links between government agencies. Box 12 gives a few suggestions for working through PGS to strengthen them.

**Box 12 Working through PGS to strengthen them**

International experience shows that it is hard to strike the right balance between under- and over-planning capacity development and support programs. Detailed five-year plans are unlikely to be sufficiently flexible, but broadly agreed medium-term directions and objectives may be useful. Further detailed annual plans may be useful to coordinate inputs from several or all donors – but experience with these types of systems is mixed. For instance, in Rwanda and Cambodia, capacity development is supported by pooled project funding through a system of annual plans. This has been quite effective in Rwanda but less so in Cambodia, where MOE department plans were often loosely connected to the ESSP priorities and not coordinated. It is also important to have mechanisms to respond to unexpected needs. The system of annual SSRP work plans in Nepal, including capacity development activities, was not flexible enough, so donors were asked to keep some funding for TA outside of the SSRP pooled funding.

There is also a debate about demand-led capacity development. While this is good practice in theory, often the capacity to identify capacity development needs is weak. Needs assessments may address this but are often found to be insufficiently owned by the agencies supposed to benefit from the support program. So in practice, mixed approaches may be useful, combining demand-led and supply-led elements, the latter based on needs assessments carried out as jointly as possible. For instance, the Ugandan LGDP combines demand- and supply-led modalities. Some generic training programs are provided to all districts. Local governments get funding to select other modules according to priorities that they identify. They have a clear incentive to address the weaknesses in their systems as these were the reasons they did not get infrastructure grant funding, or got less.

As for the rest of the sector activities financed by donors, TA should also be as much as possible managed by the partner government. Yet in many instances, it is not easy to use government systems to recruit TA (in particular – though not exclusively – international TA). This was one of the reasons why capacity development support was kept separate from other donor aid flows in Rwanda (where donors otherwise provide SBS). It also was one of the reasons for keeping some funds outside the pooled fund in Nepal. Similarly, the Indonesian Government indicated its preference for the multi-donor Analytical and Capacity Development Facility (ACDF) included in the ESSP to be managed through a contractor recruited by one of the partner donor agencies rather than through its own systems. In principle, such non-government systems can be government led, as is intended with the ACDF in Indonesia, where the managing contractor is intended to serve needs jointly identified by the ESSP governance structure led by the Government.

Strengthening PGS means that training/skills transfer needs to cover large numbers of government staff, and needs to be provided using sustainable methods. In order to embed new systems and ways of working, there must be sustainable internal systems to build the capacities of new generations of staff who will come on board after the AusAID/donor capacity development program has ended. Good practice is found in existing AusAID programs, e.g. a School Audit Guide in Nepal has been prepared in close collaboration with the Institute of Chartered Accountants of Nepal and is now a part of the regular curriculum of students at the institute. The intention in Indonesia is to reform existing systems for capacity development of district and school staff and help MONE to develop and roll out a nationwide new accredited training system for principals and district staff, using and strengthening the capacities of the many institutions already providing capacity development services to sub-national governments.

**Monitoring progress in strengthening systems:** Systems change and capacity development should be at the heart of AusAID education programs and should be given sufficient attention in the program results frameworks. Knowing that ‘what gets measured gets done’ it may be useful to develop systems change and capacity development indicators and measurable objectives. The FTI guidelines give some insight into this (although there have been criticisms of the guidelines’ capacity gap approach). In more fragile contexts, it is also relevant to draw on the FTI Progressive Framework concept and guidelines. At the same time it is important to recognise that capacity is needed to introduce and roll out reforms but is often, at least initially, in short supply (as it is supposed to be built through the reforms). So it is important to avoid overloading the reform agenda: a few key reforms and improvements need to be prioritised in the results framework.
**Donor systems:** One way in which donors can directly support the strengthening of PGS is through working on their own systems with a view to avoiding capacity-depleting practices, such as ‘poaching’ experienced government staff, and providing unharmonised incentives to staff carrying out tasks in the context of the AusAID program. In the same vein, wherever parallel systems are used and meant to be operated by government agents, AusAID and other donors should aim to simplify/streamline/harmonise donor systems requirements so that the time spent by government staff on mastering and using them is minimised.
Lessons for AusAID in delivering education sector aid

Significant reforms of AusAID systems for delivering aid are underway, yet are likely to take years to unfold. Within this context, in this section we look at possible lessons for AusAID staff to consider when they design and implement education support programs and aim to use PGS to the greatest possible extent. We look in turn at lessons at the levels of AusAID country strategy, sector delivery strategies for education, and activity design and implementation, as well as lessons for AusAID in strengthening its own capacity to move towards greater use of PGS, and to work with other donors in these various undertakings. In each of these stages country teams can use the framework outlined to think holistically about the education sector PGS. In doing this AusAID should be aware of the need to pay particular attention (from country strategy development through to education activities design and implementation) to addressing what has been referred to as the ‘missing middle’ found in many SWAps.

Lessons in addressing the ‘missing middle’

**Service delivery:** Recent studies show that in many SWAps there is often a lack of attention to actual service delivery that is, a ‘missing middle’. Typically, central government agency staff, particularly those who engage with donor partners (senior officials, planners and other often better educated staff), are somewhat disconnected from the ‘nitty gritty’ of school and local level systems. Sector support approaches have tended to compound this tendency by focusing strongly on partner governments’ upstream policy, planning and monitoring systems and processes and whole-sector results, and much less on downstream systems. As a result, on both sides (partner government and donors) there is insufficient attention to “the process for management of frontline service providers, the actual delivery of services, human resources management, and the accountability for service provision” (Williamson and Dom 2010b, p. ix). There is also insufficient attention to how schools and teachers are managed, how local governments support schools, how schools report to parents, as well as to addressing “the incentives faced by front-line providers and their managers” (p.xi), including school and local government/administrative staff.

However, as illustrated in Figure 1, the downstream systems and processes are the ones that transform education inputs into literate and numerate children, so they matter enormously as dimensions of the education PGS framework outlined in this paper. Addressing the missing middle should therefore matter for both partner governments and donors. Some lessons for AusAID staff can be drawn out here.

**Stronger links with civil service and decentralisation reforms:** Donor projects were often closer to the ground, but lacked leverage to drive systemic change (as was found in the case of earlier AusAID projects in Lao PDR and PNG). To help to address the missing middle in broader approaches, donors need to pay much more attention to and engage with a number of systemic issues. They should
engage with the system-wide reforms that focus on the incentives of service delivery agents to
deliver the agreed policy at the day-to-day functioning level of the education system (for instance, for
teachers to be present in schools in Lao PDR and Nepal, or for districts to allocate funds to maintain
schools in Indonesia). AusAID education delivery strategies should show how AusAID will do this.
Typically, this will require much stronger links between education programs and civil service and
decentralisation reforms than have been found until now, in for example, the sector approaches
reviewed in the 2010 Williamson and Dom study, or the Cambodian SWAp.

Types of aid: Addressing the missing middle may have implications for the types of aid put into place.
Measures aimed at the missing middle are likely to have recurrent effects (e.g. changes in teacher
conditions). International experience has shown that donors are better positioned to influence such
reforms when they are able to assist the partner government financially in meeting the consequences
of the reforms for an agreed period of time, which then requires that aid must be predictable over the
medium term. For instance, in Zambia, the Ministry of Health was able to start implementing a human
resource strategy which included incentives compensating staff for working longer hours as health
fees were being abolished, raising the demand for health services. This strategy was feasible due to
‘virtually earmarked’ sector budget support committed to the government general budget and a plan for
an exit strategy agreed with the MOF. In contrast, in Rwanda, the Government chose to hire contractual
teachers and provide one-off bonuses to all teachers (as opposed to hiring more regular teachers and
increasing salaries), mainly because of the lack of long-term predictability of education financing.xviii

Where AusAID does not engage in financing recurrent costs of the education system (which it does
directly in Nepal and indirectly through the PRSO in Lao PDR), the delivery strategy needs to be clear
about how it will nonetheless address the missing middle.

Qualitative assessments and analyses: Monitoring systems need to go beyond sector outcomes
and monitor the systems and processes through which these outcomes should be achieved. This is
likely to require new monitoring and evaluation tools and in particular, regular qualitative assessments
and analyses to complement EMIS through administrative and financial management data. In an
effort to do this, the SSRP results framework in Nepal includes indicators such as teacher attendance
rates and the number of schools having completed the compulsory social audit report. In Lao PDR,
the Education Sector Development Framework policy monitoring matrix includes an indicator of
‘effectiveness of school governing bodies’. Such indicators need to be defined, benchmarked and
associated to relevant means for collecting the data.

Qualitative monitoring is very often thought about in terms of specific surveys, studies, etc. Emerging
good practice is for these to be jointly commissioned by donors and the partner government. The next
stage is to think about building the capacity of government and non-government agencies to carry out
and/or commission such assessments and analyses. In the health sector in PNG, there is a proposal
for donors to support the establishment of a non-state think tank as a resource institution that could
carry out such work. In Indonesia, think tanks like SMERU conduct regular surveys focusing on local
government service delivery performance. More generally, there is scope for education partners to
link up with social accountability initiatives in countries where such initiatives are flourishing and/or to
help to develop them.

Lessons for AusAID country strategies

Engaging with key central agencies and cross-cutting reforms: Many of the most critical
challenges faced in moving towards greater use of PGS in education relate to strengthening PFM,
civil service management, HRM, local government and service delivery systems, and are therefore
not education-specific. In some cases Australia’s high level partnership agreements with partner
governments may provide a platform for reform at the sector level, including through setting agreed
benchmarks. Addressing these cross-sectoral challenges is particularly critical for education, a
sector with large and scattered spending, a large workforce and a long chain of agents (from central
ministries, to schools, through to local governments) each with their own incentives. With this in mind,
where AusAID supports education, the onus should be on the country team as a whole to ensure that
cross-cutting reforms focus on the service delivery level, and to find ways for education stakeholders
to link up with and feed into the reform agenda.
This requires AusAID to think strategically about how it can best engage with or support cross-cutting reforms in countries where it intends to support or is already supporting the education sector. This does not mean that AusAID should engage in all cross-cutting reforms in all of the countries in which it has an education program. But where it is not engaged directly (financially or technically), it is important to identify other means for AusAID to be represented in these reforms, and for these means to be explicit and agreed upon with the partner government, and donor colleagues as relevant. The implications in terms of access by the AusAID country team to relevant expertise need to be identified and addressed. This is discussed further in the lessons for developing AusAID capacity.

It is critical to engage senior level officials from the key central agencies in the high level discussions concerning AusAID education program objectives, and to ensure that they ‘buy into’ the agreed objectives while fully realising the underlying implications for their own agency. It is important to think carefully about ways of doing this, taking account of typical office politics in partner governments. Meetings chaired at mid-level in the MOE will often only get junior MOF officials to attend. It may often be more effective to have certain sector meetings chaired by the MOF as has been the case in Uganda sector processes and SWAps.

Uncovering and addressing trade-offs: The Country Situation Analysis (CSA) is the right place to highlight the big trade-offs faced in aiming at certain education results. In many cases there will be (often inter-linked) trade-offs between: more centralised and decentralised approaches; speed in obtaining service delivery results versus focus on longer-term system/capacity development; non-financial and financial risks to the proposed country program; and broader or narrower focus in the AusAID education program. The CSA needs to be based on thorough analytical work on each big trade-off, and there must be sufficient discussion between post, HQ, partner government and donors to enable agreements to be reached which are reflected in the joint Statement of Commitment or equivalent document. The CSA and the joint Statement must together provide enough clarity about how the trade-offs have been resolved so that sector teams can develop delivery strategies within a defined framework. Broad directions with regard to types of aid should be clear, and based on an agreement with the partner government’s finance/planning agencies at senior level.

It is also important for AusAID to monitor the effects of the decisions made on the trade-offs. The CSA should highlight how this will be done and what strategies could be adopted in case of major change in the factors that influenced the initial decisions. In instances where critical decisions by the government are anticipated any time (as in Nepal, concerning political decentralisation) it would be valuable for the CSA to outline a number of potential scenarios and their implications for the education (and other) objectives proposed for inclusion in the Statement of Commitment. Considering possible scenarios and close monitoring are important in fast-evolving contexts and this may be particularly relevant in the variety of fragile situations in which AusAID is working.

Lessons for AusAID delivery strategies for the education sector

Building scope for flexibility: When it comes to deciding how to work through PGS, five years can be a long time, and it is important for ongoing programs to be able to take account of changing circumstances. For instance, education partners in Nepal are agreed that the school funding channel should be kept under review as government structures are being (re-)established at sub-national levels. Depending on the mandates that might be given to local governments, there could be serious reasons to reconsider the central allocation scheme. In Ethiopia, the decision of the Government to roll out the district-level decentralisation in 2002-2003 required donors committed to aligning their aid to thinking through new ways of doing this, taking account of the substantial new responsibilities given to district governments for school management.

This suggests that delivery strategies need to allow for adapting to changes that may arise from reforms undertaken in the education sector as well as outside of it. They should identify where there are elements (potentially positive changes, or risks) in government systems that should be regularly reviewed, how this will be done and how decisions should be taken on any possible change.

Outlining the Theory of Change: Delivery strategies should show how AusAID assistance, including the mix of inputs envisaged, will bring about the change required to achieve the objectives outlined in the country strategy, and how this contributes to the partner government’s education goals. In doing
so, AusAID needs to analyse the sector and government systems but also its own capabilities (and
those of other donors), to identify where to focus and how to make a difference.

Considering mixes of inputs goes beyond thinking about the possible use of different types of and
channels for financial assistance to the sector. Inputs also include policy dialogue and various forms
of assistance that AusAID provides to strengthen PGS and capacity, as well as tangible measures
that AusAID takes in coordinating and harmonising with other donors in the sector and the specific
role that it plays in the education donor group. Inputs also include the ways in which the country team
links education activities with other relevant portfolios and activities in the country program, including
with the cross-cutting reforms.

The delivery strategy should outline how all these inputs are interlinked and contribute together to
the country program education objectives. For instance, the Cambodian example in Box 2, illustrates
how policy dialogue, TA and capacity development support and financial support were interlinked and
were all important in bringing about the changes outlined. Typically, it may not be feasible (or desirable)
to outline detailed capacity development plans for five years, but the delivery strategy should outline
the mechanism which will ensure that these inputs dovetail with other inputs from AusAID and other
donors (from sector and cross-cutting reforms).

The framework presented in this paper also offers a starting point for delivery strategies to show how
working through different parts of the system may result in change, in particular at the school and
classroom levels.

Matching types of aid to strategic objectives: Delivery strategies are not yet the level at which
aid instruments are designed in every detail. They should, however, be sufficiently specific in teasing
out how the types of aid envisaged will enable the agreed sector strategic objectives to be reached.
In the course of preparing the education delivery strategy, the trade-offs between risks and benefits
and different types of risks faced in using different parts of PGS must be made clear, and this analysis
should be shared with the partner government and other donors.

The way the use of ‘earmarked financial assistance’ may affect how AusAID can engage with planning
systems has been discussed. The preparation of the sector delivery strategy is also the point when
AusAID staff should discuss this. That is, discuss how types of aid and aid instruments will shape the
strategic scope of the AusAID education program, assess whether this is acceptable, highlight the
possible constraints that this may bring and identify how they might be overcome. If, for instance, it
is deemed unacceptable to use government Treasury systems, as in PNG at the moment, this limits
the AusAID education program by making it impossible to finance teachers’ salaries, which may make
it more difficult to influence reforms in teachers’ conditions. In PNG, this could mean less leverage
for AusAID to help address the issue of uncontrolled expansion of the teaching cadre. A possible
way round this might be for the program to support joint work by the relevant government agencies,
with a view to establishing a system that strengthens central control over provincial governments’
recruitment proposals.

Involving the MOF: In the process of matching types of aid to strategic objectives in the education
sector, it is fundamental to involve the MOF for a number of reasons. Aid management should be fully
integrated with the partner government management of its PFM systems, which usually is led by the
MOF. Discussions about types of aid should always involve the MOF – identifying who in the ministry
or the ‘right level’ to deal with and how to reach the officials concerned requires careful thinking about
entry point and procedures for meetings and other process issues. This is especially relevant when
financial aid is earmarked (as in all AusAID programs referred to in this paper). This is highlighted in
Box 13.
Why involving the MOF is important to discuss sector earmarked assistance

Recording earmarked financial assistance on the MOE budget is a step forward but this type of aid is still a derogation of government regular resource allocation processes. This is often seen as desirable, to help directing resources to areas that might otherwise be under-funded (like school construction in Indonesia or school grants elsewhere). The review of sector budget support in practice (Williamson and Dom, 2010a) found that earmarking financial assistance to sub-national levels had indeed helped to draw attention to service delivery financing needs, for example. However, the MOF should always be involved in the discussion, so that at an agreed point in the future, sufficient resources for the identified priority are allocated from governments’ own resources; the MOE trusts that this will be the case; and donors can possibly use less earmarked forms of financing. For instance, in Vanuatu this has been done for school financing – government funding of school grant funding is planned to increase so that donor funding is fully phased out over five years. In PNG, it will be important to negotiate something similar for the textbook provision component.

Involving the MOF is important for avoiding donor funding simply substituting for government funding. The only way of knowing whether or not this is the case is to look at the sector budget and the government budget as a whole – which AusAID is increasingly doing. In instances where, as in Indonesia, the partner government makes progress in counting all aid (including project/earmarked funding) in fixing overall sector ceilings, there is a case for donors as a group to discuss more broadly the role of external financing, as it may no longer be additional to the government budget as used to be the case when aid was ‘off-budget’.

Williamson and Dom (2010a) also found that using broadly earmarked types of aid, whereby donor funds are allocated across a range of priorities (as in PNG for the direct financial assistance, in Nepal for the SSRP and in Vanuatu for the VERM), was preferable to narrower earmarking. This strengthens prioritisation and budget planning processes in the education sector, thereby supporting broader efforts usually led by the MOF for strengthening the links between government budget and policies.

Linking AusAID program management to sector partnership architecture and partner government key cycles:

The delivery strategy should be clear about how AusAID will link the management of its program to the sector partnership architecture and the key cycles of the partner government. Paying attention to the government budget cycle is particularly important. Good practice is emerging in AusAID programs: in Vanuatu, the JAR has been merged with an Education Budget Meeting to be linked to the government budget cycle; in PNG, the programming of AusAID financial assistance is done at the same time as the government funding of the education budget, and there are quarterly budget review meetings. However, this level of interaction with the government budget will not be feasible in all contexts (e.g. Indonesia). There need to be discussions and an agreement about a country-specific entry point for donors into the government budget process and systems that is acceptable to all concerned actors, notably the MOF. This should be reflected in the education delivery strategy.

Outlining an annual calendar could be useful, showing how AusAID program management milestones, key partnership events and key milestones in the government budget cycle are linked. This should cover timing and information flows. Ideally, a partnership calendar would provide the basis for this. The AusAID calendar would be adding the link with internal agency processes and related milestones. It could be useful similarly to draw up a broader calendar for the duration of the program as a whole, so that medium-term events, such as mid-term reviews or government longer-term political and planning cycles, are also all identified and linked where feasible.

The delivery strategy must clarify the AusAID program focus within the broader sector/sub-sector plan and what this means for the rest of the government plan. Among other things, this means outlining how JARs and other joint review mechanisms will feed into AusAID reporting and accountability systems. Where it is deemed necessary to have additional information and separate management and decision-making mechanisms for AusAID programs, these should be identified, justified and related back to the joint mechanisms and overall goal of moving towards greater use of PGS.

Lessons for AusAID detailed activity design and implementation

Thinking about government agencies’ buy-in, role and workload: Whether AusAID financial assistance is or is not commingled with government resources, the biggest change for AusAID in moving towards greater use of PGS, is that it now relies on government agencies to carry out activities fitting within a jointly agreed program work plan. This is a stark move away from relying
on work plans and budgets prepared by managing contractors, with staff recruited by the managing contractors often carrying out the activities (as with the field supervisor and monitoring and evaluation systems of the otherwise well-aligned BEP in Indonesia), and the managing contractors reporting on activities and the use of funds.

In addition to capacity implications, this puts the onus on AusAID country teams to help deepen internalisation of the agreed objectives by the government agencies and staff who will have to deliver them. In the first instance, this requires ensuring leadership by the senior officials who are the ones to convince their staff. It is important to build enough time in program design for participatory planning and program preparation processes, ministry-wide consultation events, joint design of instruments and work processes, etc. This typically means a slower pace of preparation. The manner in which the tasks required for the agreed AusAID education program (which can be a multi-donor program as in Nepal) are or will be integrated in government agencies’ work plans and staff workload needs to be worked out, especially when the AusAID program focuses on a sub-set of the tasks that these agencies and staff members have to fulfil. This requires looking at all elements of PGS, and at incentives.

In many instances, further internalisation will be necessary in the course of implementing the program. In Vanuatu, for instance, the new ways of working are in their infancy and at this stage only a handful of MOE staff members see the joint government/multi-donor program documents as a crystallisation of essential educational goals, objectives and tasks which are central to their day-to-day work. In Cambodia and Uganda, it took years of careful articulation of the new ways of working and processes with the existing ministerial routines to get the sector-wide/partnership/policy-led approach relatively well internalised. This demanded numerous internal ministry meetings, chaired at senior level and involving all departments, to discuss the practical implications of this articulation.

Other issues to take into account are tasks, work plans, workloads and incentives of partner government agencies and staff outside the education system, of which/of whom something is expected. They should be involved in the detailed design as well as in the high level policy dialogue. In Cambodia, it was a serious mistake not to have involved MOF senior officials and staff in the discussions about the principles and details of how the education school grant PAP would function. This led to overlooking weaknesses in the government cash management systems and meant that flows of funds to schools were extremely unreliable, as the MOF did not prioritise school grant funding in a situation of endemic cash shortfalls. Mitigating measures had to be designed ex-post and for several years did not work very well, as they were weakly owned by the MOF.

Aligning all types of aid wherever possible: AusAID guidance recognises that all types of aid can be aligned with at least some components of partner government PFM systems. Whilst budget support is the only type of aid that is aligned with all elements of these systems, project funding can be closely aligned. In designing AusAID instruments, the objective should be to align them as closely as possible within the limits of what has jointly been determined as acceptable and to be explicit about these limits and the derogations that will be used.

We have seen that PFM systems can be disaggregated into components. This then makes it possible to: identify how aid may be ‘on budget’, that is, how financial aid may be aligned with each component (‘on plan’, ‘on budget’, ‘on Parliament’, ‘on Treasury’, ‘on procurement’, etc.); identify what risks must be monitored when aid is ‘on’ a particular component (e.g. reliability of treasury/disbursement component if AusAID funds are supposed to be flowing to schools through government channels); and explain what systems replace the components of the government PFM systems for which aid is ‘off’. Good practice analyses should also explain why it has been deemed unfeasible to use those components of the government systems, how the systems used are better, and what is being done to strengthen PGS with the aim of using them at a later stage.

In this respect, donor analyses could often be more systematic and comprehensive. Using the PFM/aid ‘on budget’ cycle framework would go a long way toward this, as highlighted in Box 14.
Box 14
Putting aid ‘on budget’ in designing aid instruments for the education sector

Using the PFM/aid ‘on budget’ framework in designing aid instruments for the education sector has a number of potential benefits:

- The framework identifies clearly the PFM system components with which aid is not aligned. This pushes donor agencies to explain the derogations to government systems that they will use and justify how the resulting parallel systems are better.
- Doing so highlights the implications of aid being partially ‘on’ and partially ‘off’ for the PFM systems. This should help donors to identify what they should do to avoid undermining efforts to make these systems comprehensive, transparent, accountable, etc. For example, if AusAID funds are accounted for and reported on separately, as in PNG at present, it is important to identify how this will be reconciled with government accounts, reports and audits – currently all aid is recorded on the MOE AOFP and reported on at quarterly budget meetings, but more work is needed on budget structures. Or, if AusAID funding is ‘on Treasury’, as in Nepal, but on a reimbursement basis, it is important to identify and discuss the implications for government cash flow management.
- Through its system-wide perspective the framework helps to articulate strategies to strengthen the weak elements of the partner government PFM systems more clearly.
- It facilitates cross-country learning by referring to a common framework.

Using derogations: While it may be inevitable for AusAID country teams to use derogations (and other donor agencies are likely to grapple with the same issues), it is important to be aware of the issues. Firstly, what would happen if the derogation adopted for one sector was replicated in several others? This should always be analysed, and the implications should be discussed among donors and with the partner government. Derogations can all significantly affect government systems if they are replicated across sectors, for example, the use of earmarked financial aid; carry-overs from one budget year to another; and the development of earmarked funding channels for sub-national levels, where these did not previously exist in government systems. Similarly, the use of a refunding financing modality, which may seem attractive for one sector, would have very different implications for the government if it was used in all sectors.

Secondly, the sequencing approach of first building an acceptable system or component and then starting to use it has been challenged by international experience. That is mainly because typically, much of the problem may not relate to capacity but to motivation and incentives, which can be improved if even modest amounts of extra money flow through the system. In other words, it is worth considering an approach which involves putting some money through the system, monitoring what happens and fixing any problems, and then expanding. This gives meaning to the capacity development activities and improves understanding of where the problems actually are. There are examples of ‘capacity first, funds later’ approaches that have worked, where thresholds have to be met to qualify for funding. But in such cases, what has to be achieved needs to be explicit, achievable in the short term, and linked to clear financial commitments from the donor, as with the LGDP approach in Uganda.

Aligning financial aid in decentralised contexts: This is particularly complex, as decentralised countries may have a multiplicity of PGS. For example, there are often vertical conditional grants channelling education funding to local governments, in parallel with unconditional transfers from which local governments are supposed to finance education as well. This often reflects unresolved dilemmas on the side of the partner government, or successive layers of donor influence on government systems. For instance, the Jakarta Commitment in Indonesia is explicit about the government dilemma with regard to the role of national programs in improving service delivery versus strengthening local government capacities and programs in line with their mandates. In Uganda, the influence of donors wanting to use the government system of transfers to districts for decentralised service delivery, but not trusting district capacity for budgeting, led to an explosion of conditional grants in the government inter-governmental fiscal transfer system, alongside the block grant funding. The wisdom of this approach is far from clear as it disempowered local government authorities and undermined the incentives that they should develop in their capacity of direct managers of the front-line service providers.
In such situations, aid aligned with one system may be misaligned with another. When there are several systems to align with, AusAID and other donors are often likely to find partner government officials in favour of each of the options, so there is no single ‘government preference’. Donors designing aid instruments must be clear about these trade-offs and their implications for the different agencies involved in the education sector. There should be a clear and explicit rationale for opting for one variant of system alignment over another, following discussions with all agencies concerned, including central finance and planning agencies, central agencies in charge of decentralisation and/or representing sub-national governments, and other donor partners as required.

**Lessons for further developing AusAID capacity**

**Partnership approaches:** Admitting that partnership approaches and using PGS are not easier for donors than project-based support, is a starting point. This has been confirmed in international experience generally.\(^{xx}\) The most immediate change arising from the partnership approach in SWAps (or developing SWAps), is that the AusAID team is now directly in contact with government partners – the interface is no longer mediated by managing contractors. Where managing contractors are still present, as in PNG, they have a very different role from that in the past. They concentrate more specifically on managerial aspects, as strategic matters are now addressed by AusAID and the partner government, with other partners in the sector. The implications in terms of further developing AusAID’s own capacity to engage in new ways of working (partnership with the government and others, working with other donors, using PGS to the greatest possible extent and working to take this further) must be identified and addressed (in various degrees of detail) at all stages in the country strategy preparation process, and throughout implementation.

**Responding to the complexity of PGS at post level:** PGS that relate to education are wide-ranging and complex; they differ from one country to another; and evolve over time, partly through planned actions in the sector but also as a result of changes elsewhere. Indeed, in any one country, there are typically many reforms underway, led by or involving many government agencies and donors trying to provide support. This means that systems change is rarely straightforward, and may result in the existence of several alternative systems, all parts of the PGS and all with specific advantages and disadvantages. This complexity makes clear the importance for AusAID country teams to be able to build and maintain in-depth understanding of PGS, as an indispensable prerequisite for suggesting how assistance can best be aligned and how this may have to evolve over time.

**Skills mix:** There is no one skills mix relevant in all situations. The range of expertise potentially needed at post level includes broad education planning and financing, as well as more specific educational competence to help address service delivery issues, depending on the context. The latter may be required less continuously or for shorter periods of time (e.g. expertise in teacher management, learning assessment or textbook development and procurement systems), and wherever possible there should be some division of labour between donors active in the sector. The education team at country level must also have access to cross-sectoral expertise, both for general cross-cutting reforms (decentralisation, PFM or civil service management) and for other country-specific cross-cutting dimensions, such as expertise in social inclusion in Nepal, or service delivery in pastoralist societies in Ethiopia.

**Means:** Externally conducted studies and assessments are useful but are no substitute for in-house expertise. There are several ways this expertise can be built up – the best mix is going to be country- and time-specific. For example, in countries where AusAID is a big donor and has a large education program as well as programs of support in several cross-cutting reforms (as in PNG), there is a case for focusing on designing practical ways for the education country team to have access to the expertise of their colleagues, for whom this should be part of their mainstream tasks.

In countries where AusAID is a big education donor but with comparatively little involvement in cross-cutting reforms (as in Indonesia, where it is not involved in PFM and decentralisation reforms), there should be ways for the education country team to have access to non-education expertise, in order, for example, to assess advantages and disadvantages of various government systems for funding schools. As PGS evolve, this expertise may need to be brought in relatively regularly so that
the AusAID education team is kept aware of what is happening and can also influence it. Call-down contracts (including of locally sourced expertise) may be a useful way of doing this.

In yet other countries where AusAID is a smaller donor and/or is much less involved in cross-cutting reforms, formalised ways of having access to expertise from like-minded donor partners, or pooling scarce expertise between several donors, may be useful. For instance, in Rwanda, several smaller donor agencies participating in the joint education SBS operations used to share one expert between them in macroeconomics, budget analyses and PFM systems. Agreeing on forms of division of labour among donor agencies is sensible. Using expertise recruited locally is also advisable, although donor agencies should avoid ‘poaching’ competent staff from government agencies, so there is a dilemma here.

**Lessons for working with other donors**

**Division of labour:** Ideally, the donors supporting the education sector (or a well-identified sub-set consistent with the broader sector plan): work together for one common set of objectives; engage in policy dialogue with one voice; pool their internal expertise; support ‘one plan, one budget’ for the sector; monitor results jointly; support systems change and capacity development jointly; work towards harmonised aid instruments; and distribute roles in line with the comparative advantages of the different agencies.

The role of AusAID in making this happen and in the resulting division of labour will depend on context. Expectations, approaches and internal resource deployment strategies cannot be the same in countries where AusAID is a ‘first and last resort’ donor (as in PNG) as in countries where it is more a ‘niche’ donor (e.g. Lao PDR and Nepal). In the latter case, AusAID can envisage relying on other donors’ expertise and experience for specific aspects (for example, in Nepal, AusAID relies extensively on WB, DFID and ADB for the dialogue and work on PFM systems). In other cases this is less feasible, as in PNG and the Pacific, where typically there are not enough donors for this to happen. In Rwanda, among the donor group supporting the education SWAp, there is one overall lead donor, one donor leading on technical and vocational education and training (TVET), and one on quality education, regardless of the type of aid that these donors provide.

**Coordination ‘costs’:** The balance of time that AusAID country teams spend between coordination and other (e.g. analytical) tasks is influenced by the size and composition of the donor group (in terms of institutional agency, individual interests, capacities, etc.), the capacity and interest of the partner government to manage donors, and the stage reached in developing the partnership. For instance, AusAID staff may spend less time on coordination in Nepal where it is not leading the partnership, than in Vanuatu and PNG. In turn, this should shape requirements in terms of what expertise should be in-house and what can be outsourced, although the balance is likely to change over time and needs to be regularly reassessed. For instance, in Lao PDR, AusAID was initially a ‘small donor’. Yet the fact that the education program included an element of support to developing a broader sector support approach meant that the country team found itself intensively engaged in donor coordination and government dialogue processes, to an extent that had not been envisaged. How long this will remain the case depends on the various factors just mentioned.

**Portfolio approach to supporting the education sector:** A number of international studies show that having a portfolio of a select number of carefully designed different aid instruments in one sector may be a good approach. The idea is to use the institutional constraints of different donors to best effect. In Rwanda for instance, in 2010, seven donors were providing general budget support with a strong focus on education (notably through donor advocacy for the cross-cutting reforms to be responsive to education sector needs). Seven donors were using sector budget support, some using both general and sector budget support. A number of donors were pooling funds to support capacity development through project funding, with some donors contributing both SBS and project funding, others providing only project funding. Other project funding was for one-off infrastructure investment in line with the sector plan, and support to more specific areas such as TVET.

Needless to say, this did not happen spontaneously, but required intensive efforts by the Rwandan Government and the sector lead donor. In particular, managing the interface between donors providing better-aligned aid and the others has proved to be important and not easy to get right. This worked
well in Rwanda, but less well in Mali where a number of donors also started using SBS without
due consideration of how to link up this new way of working with pre-existing sector partnership
mechanisms. Among AusAID programs examined for this paper this type of interface management
could become an important element of joined-up donor work in Vanuatu for instance, if not all donors
can join the Development Fund Account mechanism.

Working with the FTI:\textsuperscript{xxiii} When countries are engaging with or involved in an FTI process, this adds
a dimension to donors’ responsibility for working together. The FTI mid-term evaluation (Cambridge
Education, Mokoro and Oxford Policy Management, 2010) has shown that whilst in theory, the FTI
is supposed to work entirely in and through country processes, in practice, in many cases this has
happened imperfectly, and the FTI has effectively been ‘one more donor to manage’. In some cases
this ‘additional donor’ may be a good thing. For instance, in PNG, FTI funding is unlikely to represent
a significant addition to what local donors already provide but engaging with the FTI has had the
advantage of bringing the WB back in to the sector. In Yemen, the FTI had a positive influence on aid
effectiveness and support to policy development and planning, as little else had taken place previously.

However, in other countries, getting access to FTI funding has typically entailed additional transaction
costs. FTI funds have been provided through project instruments, aligned in that the projects are
implemented by government agencies, but for which similar issues have arisen as for any other
donor project with regard to integration with government and/or partnership systems (e.g. linking
project reporting and monitoring to the JAR). In some instances the FTI has joined existing pooled
mechanisms, but in others this has not been the case and a new instrument was created for the FTI
funds. Generally aid instruments adopted for FTI funds have not always been the best aligned with
government PFM systems, in spite of FTI guidance about aid modalities.

Nonetheless, these limitations have been tackled and successfully overcome in countries where the
local donor group and the partner government have been strong enough to make it happen. In this
way, in Rwanda and Burkina Faso, FTI funding has taken the form of un-earmarked sector budget
support as this was the most aligned modality already in use in the sector. In Zambia, the Netherlands
was appointed as Supervising Entity so as to channel FTI funding through the existing pooled funding
mechanism, which would not have been acceptable to the WB.

The FTI Board is committed to encouraging local education groups to come up with means of
ensuring that, as per the theory, FTI funding is used through the most aligned modality available in
the sector. AusAID, which is a significant contributor to the FTI at agency level, should ensure that
country teams are well aware of the current evolution of the FTI so that they can best advise partner
governments on a course of action.
Conclusion

This paper has outlined a framework to think about various dimensions of PGS in the education sector and the implications in using them. It has highlighted possible lessons for AusAID at all stages of its programming cycle. The framework should not be seen as a blueprint, but it is hoped that it can be useful for country teams to develop and implement approaches to use PGS in AusAID education programs in a more systematic and comprehensive manner.

Recommended reading

AusAID’s Guidance on Working in Partner Systems. The following guidelines and tools were released by AusAID’s Program Strategy and Design Branch in early 2011:

- Instruction: how do I assess and use partner government systems for public financial management and procurement?
- Guideline: assessing and using partner government systems for public financial management and procurement
- Guideline: choosing approaches and types of aid for working in partner systems
- Tool: conducting an assessment of national systems
- Tool: terms of reference for assessing public financial management at sector or agency level
- Tool: terms of reference for assessing procurement at sector or agency level

There is no international repository of good practice and lessons learned in using PGS (whether generally or with a sectoral focus as in this paper), so providing a list of a few recommended readings is a challenge. The following may nonetheless stand out:

- Useful lessons can be learned from all case studies carried out for the 2008/10 FTI mid-term evaluation. There were nine full country studies and eight desk studies which are all available at http://mokoro.co.uk/fti. The most useful sections are those focusing on the FTI and education financing, and the FTI and aid effectiveness. A summary of all case studies is at http://mokoro.co.uk/sites/default/files/documents/AnnexD-Feb2010c.pdf
- For the Strategic Partnership with Africa. All outputs of the Sector Budget Support in Practice review, including ten country/sector case studies in education and other sectors and three short briefing papers, are available at www.odi.org.uk/work/projects/details.asp?id=1013&title=sector-budget-support#resources
- World Bank. System assessment and benchmarking for education results (SABER). The World Bank is building a comprehensive toolkit of system diagnostics to examine education systems and their component sub-systems against global standards, best practices, and in comparison with policies and practices of countries around the world. http://go.worldbank.org/NK2EK7MKV0
## Glossary of terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Aid ‘on budget’</td>
<td>using all components of the PFM systems; not fully ‘on budget’ when it uses some components and not others.</td>
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<td>Alignment</td>
<td>aid is fully aligned when it supports a government’s policy priorities (e.g. the education sector policy and strategic framework – policy alignment) through using government systems (e.g. PFM – system alignment).</td>
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<tr>
<td>Budget classification system/chart of accounts</td>
<td>the coding system for public sector revenues and expenditures, determining how budgetary data is structured and can be presented.</td>
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<td>Budget execution</td>
<td>stage where the government’s expenditure programmes are implemented.</td>
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<td>Budget preparation</td>
<td>stage of budget process involving the submission and negotiation of ministry expenditure bids, concluding with parliamentary review and legislative approval.</td>
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<tr>
<td>Budget support</td>
<td>aid funds that are channelled directly to partner governments using their own allocation, procurement and accounting systems, and are not linked to specific project activities.</td>
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<tr>
<td>Commingled funding (with government funds)</td>
<td>funding from different sources that are pooled at a certain level with, and which from that level onward are no longer distinguishable from, a government’s own resources (i.e. from a certain point/account, donor funds are no longer separately traceable).</td>
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<tr>
<td>Derogations (from national systems)</td>
<td>a deviation from or an extra requirement to an aid recipient’s national systems for managing public resources arising from the provision of aid.</td>
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<td>Earmarking</td>
<td>a requirement that all or a portion of external funding is devoted to a certain area of public expenditure, which can be very specific (for a discrete set of activities), or broad (to an overall sector). Project support is always earmarked; budget support can be fully un-earmarked.</td>
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<td>Fiduciary risk</td>
<td>the risk that funds are not used for the purposes intended, not properly accounted for or do not achieve value for money.</td>
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<td>General budget support</td>
<td>fully un-earmarked budget support where the dialogue between donors and partner governments focuses on overall policy and budget priorities across sectors.</td>
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<td>PFM system components</td>
<td>a partner government’s PFM system is commonly disaggregated into a number of components which can also be conceived of as the different stages of the full government expenditure cycle, from planning to reporting and auditing.</td>
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<tr>
<td>Sector budget support</td>
<td>aid which uses the normal channels for a government’s own-funded expenditures and aid is predominately focused on a single sector.</td>
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<td>Sector-wide approach (SWAp)</td>
<td>all significant funding for the sector supports a single policy and expenditure programme, under government leadership, adopting common approaches, and progressing towards relying on government procedures to disburse and account for all funds.</td>
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<tr>
<td>Shadow alignment</td>
<td>systems channeling aid that mirror PGS when they are too weak to be aligned with, even partly. Aid systems can also mirror what the PGS should look like, when these have been disrupted to the point of no longer existing, or exist in theory but do not function in practice, as in some conflict-affected situations.</td>
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<tr>
<td>Technical assistance</td>
<td>provided to specifically facilitate the implementation of a capital project, including (a) grants to nationals of aid-recipient countries receiving education or training at home or abroad, and (b) payments to consultants, advisers, ‘technical advisors’ and similar personnel, as well as teachers and administrators.</td>
</tr>
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</table>
Endnotes

i. Special thanks go to our AusAID ‘key informants’ from the concerned country teams.


iv. See the Uganda case study in Williamson and Dom (2010).


vii. Teacher policy is one of the areas covered under the World Bank System Assessment and Benchmarking for Results (SABER) program. In addition, there has been significant work by the World Bank on teacher policy in sub-Saharan Africa, led by Aidan Mulkeen http://siteresources.worldbank.org/EDUCATION/Resources/278200-1099079877269/Teachers_Anglophone_Africa.pdf.


xi. Detailed work on this has been undertaken by International Budget Partnership, Publish What You Fund and ODI about practical aspects of aligning aid information with partner country budgets.


xiv. This section draws extensively from Foster (2010) and UNESCO (2007).

xv. There may be a trade-off here, as we will argue below that AusAID also needs to find ways of strengthening its capacity for understanding local systems and clearly, drawing on local expertise is one of the best ways to do so.


xix. See example of cross-sectoral government aid management and budget calendar in Rwanda www.devpartners.gov.rw/docs/Tools/Rwanda_Harmonization_Calendar_2007.pdf. Here it is suggested that donor agencies could build on something similar, adding what it means in terms of internal agency processes.


