VII

FINANCE

Introduction

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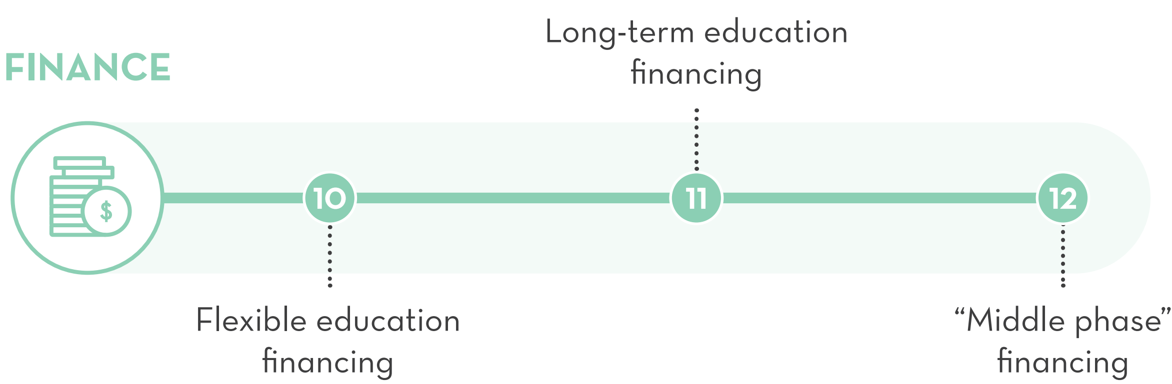

Designing and delivering at scale require resources—and the more you grow, the more resources you need. To complicate matters, when it comes to scaling quality learning, how financing is structured and allocated seems to be at least as important as total financing available. The cases demonstrate, and the literature supports, the notion that stability and flexibility of financing are necessary for scale to occur in ways that contribute to lasting change. Regardless of the source, financing for scale needs to take a long-term approach, invest in core organizational capacity, and activate middle-phase funding.

When it comes to scaling quality learning, how financing is structured and allocated seems to be at least as important as total financing available.

10. Flexible education financing:

Financing should be flexible, including to build core operational capacity.

Case studies reveal that flexible funding was instrumental in allowing for experimentation, learning, and growth: governments and donors that focused on agreed-upon results to achieve but were flexible and had trust in the implementer about the best way to achieve them. This included investments in activities that were most needed to support the scaling process at various points, which frequently required developing core operational capacity.

If the overall goal is to have an effective learning intervention go to scale, financing from government is key. Domestic governments remain the largest source of basic education financing, and the percentage of national budgets dedicated to education has continued to steadily increase since 2002 in many low- and low-middle-income countries. The cases examined highlight a range of ways that governments are providing financing that is key to scaling. In the case of SAT, the Honduran government is paying for the largest recurrent cost of the alternative secondary education program run by the NGO Asociación Bayán—tutors', or teachers', salaries. Pratham was able to reach 5 million children across India last year with its teaching at the right level approach by working through government-funded schools where teachers were trained in the approach. While the government of Zambia invited the JICA to provide technical support in adapting and rolling out Lesson Study across the country, it has provided approximately 90 percent of the financing over the past 10 years for the in-service, peer-to-peer teacher training practice. These cases offer powerful examples of where governments provided predictable and flexible financing that facilitated the expansion of quality learning initiatives.

External donors can also play an important role in the scaling process, particularly in investing in earlier stages of experimentation before an idea or approach is proven. Foundations, individuals, and corporate donors generally have a greater appetite for risk taking than governments that face pressure to demonstrate more immediate results to their constituents. Despite this comparative advantage and best intentions, donors at times can undermine the scaling process with short-term or more restrictive funding. The average development assistance "project" lasts less than two years from start to completion[142] and does not allow

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for much time for the type of investments required for building systems and capacity. Ultimate results being targeted, such as improved learning, can take years.

Therefore, given the need for much improved financing approaches from external, nongovernmental sources, we focus in the following sections on the role that donors can play in better facilitating the scaling process and how external funders and governments can work together more effectively to help quality learning interventions spread.

Financing for core operational support

According to Chris West, former director of Shell Foundation, creating scalable and sustainable enterprises requires building "core capacity, operating systems, and robust infrastructure."[143] In focusing on why some businesses scale successfully and many others do not, Verne Harnish, author and founder of Entrepreneurs' Organization, identifies three challenges in scale: inability to grow enough leaders, failure to address increased competitive pressure, and lack of systems and structures to handle the complexities of growth.[144]

Building core operational capacity and ensuring a smooth transition between innovation and scale require flexible financial support. Unfortunately, this type of flexible financing for core system support is more often the exception than the norm. Arguably, some of the cases reviewed were held back from expanding or spreading more quickly because of limitations with core support. Because scaling at its essence is about people and process, it is ironic that often these are the most difficult components to fund. Managers of some cases felt pressure in fundraising to keep their overhead low, especially as the organization grew and needed the support more than ever to develop systems to monitor larger programs efficiently and build human resources and capacity to manage them. For example, as it continued to expand, Worldreader required an investment in product and software development that was particularly difficult to get funded. This is not to argue for limitless or even proportional growth of an organization or institution as it scales, but to support the core systems needed to scale impact.

The rise of rating agencies and attempts to boil down an organization's effectiveness based on a single metric—a percentage going to "overhead" expenses—can intentionally or unintentionally reward those who do not invest in building systems and infrastructure. Donor restrictions often limit the amount that can go to overhead, and politicians might prefer investments in buildings, books, computers, and other tangible inputs and outputs that can be seen by their constituents, rather than more intangible systems, such as monitoring and evaluation systems, that are required for scaling. A McKinsey and Company study on philanthropy in India found that while 90 percent of donors and experts believe that investing in institutional strengthening and policy change is important for overall transformation, 60 to 65 percent of interventions supported were in the category of providing direct support to beneficiaries, which included outcomes that were more "tangible, measurable, attributable and controlled."[145] This is not to argue against investments in direct support, but to argue that investments in institution building are needed as well.

Network secretariats often play an important role in scaling, including by helping to share lessons, maintain quality, and ensure fidelity to a model as it expands and is adapted to new contexts. Networks are also critical for the coalition- and field-building often required for large-scale reforms.

However, in many of the case studies reviewed, the secretariat was often the most difficult part to get funded. Teach For All is an example where the global organization provides critical support to each of the 39 independent partner organizations to adapt and implement the approach in their respective countries. This support includes providing a global platform for sharing of ideas and supporting partners in adapting the ideas to their local contexts. Initially, despite the central role that it plays, Teach For All found it challenging to demonstrate the value of its support and to generate funding for a global approach to education. Fortunately, as the Teach For All network has grown over the past eight years, it has become easier to make the case that the organization's role in providing support to partners is critical.

As Alice Gugelev and Andrew Stern at the Global Development Incubator describe, too often donors are inhibiting scale by supporting only one-off initiatives. "Instead of supporting an organization's overall mission, funders often prefer to provide grants to programs that target a particular issue over a limited period of time. Corporate foundations, in particular, often allocate capital to efforts that align with their own institutional goals but not necessarily with the broad goals of the nonprofits they fund." This prevents organizations from growing and further developing their capacity.[146]

In an encouraging sign, Grantmakers for Effective Organizations President and CEO Kathleen Enright argues in favor of investing in capacity building that can help organizations boost their impact.[147] Over the past eight years, the group has built tools and resources to support grant makers to do so. In 2013, GuideStar, Charity Navigator, and the Better Business Bureau Wise Giving Alliance joined forces to encourage donors to stop the practice of bluntly evaluating nonprofits based on what they refer to as an "overhead myth"—"the false conception that financial ratios are the sole indicator of nonprofit performance," and instead focus on results. They have published two open letters to U.S.-based donors, challenging them to change their practices.[148]

Recently, the Ford Foundation announced an important transformation of its funding strategy to provide grantees with greater access to general funds. More than 40 percent of all Ford Foundation funds will

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be allocated to general operating support, twice what was previously available. Harkening back to the foundation's contributions to the civil rights movement, Ford Foundation President Darren Walker believes that this commitment will enable the foundation to have a greater impact on such issues as inequality, which will require social movements to tackle entrenched social problems. "We're going to move away from bending our grantees to fit into our boxes and do a better job of listening and learning."[149] Ruth Levine, director of the global development and population program at the William and Flora Hewlett Foundation, advocates for grantees and funders to be more realistic about what it takes to start a new program or organization, which may require building a "zero year" into budgets and timelines—that crucial initial year of development and planning.[150]

According to Pratham's leaders, the most helpful donors were those who were open-minded in terms of what Pratham did on the ground but were systematic in holding its leaders accountable to what they said they were going to achieve. These donors had spent time with Pratham in the field and were along for the journey, keen to see results influence governments. Donor agencies and foundations, such as the Hewlett Foundation, played a catalytic role by encouraging Pratham just enough and at just the right time to help Read India follow its charted path, but they did not suffocate Pratham by questioning its every move.

Particularly with interventions originated by non-state actors, donors can play a critical role in providing flexible support that helps to build core operational capacity needed to scale effective ideas and approaches.

11. Long-term education financing:

Stable and predictable support is essential.

In addition to flexible support, scaling requires stable, predictable financing, often for a decade or more.[151] This often does not align with politicians' or funders' timelines. A new administration or government official may discontinue funding for a predecessor's program or policy. Meanwhile, a key conclusion in the literature is that while donors at times support scaling, they often lack a systematic scaling focus and approach.[152] They also systematically underestimate how much trial and error will be involved in the scaling process.[153] The German development agency Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) candidly reflected that the timelines often envisioned by development cooperation agencies are "overly ambitious and not adapted to the pace of reform in the partner country."[154] The case studies revealed that reform processes are slow. This contrasts with the average donor engagement of 613 days from start to completion.[155]

Successful efforts at scaling learning interventions often benefited from long-term financial and technical support, as well as supportive policymakers and donors who understood the realities of what it would take to achieve the effort's desired impact. According to INJAZ, the USAID long-term financial commitment is what truly allowed the skills building program to become established and grow. This commitment also came with USAID's know-how and auditing systems, from which INJAZ learned and began building its own systems.[156]

The practice of Lesson Study, a peer-to-peer in-service teacher learning method, did not scale across Zambia overnight. It took a step-by-step approach over 10 years to cover all 10 provinces. The expansion of Lesson Study closely followed and aligned with the government's policies for continuing professional development for teachers. The gradual scaling expansion allowed the program to continuously refine its implementation strategies. Similarly, by gradually expanding Lesson Study across the country, the Zambian government could observe its impact, such as improved math and science pass rates, before incorporating the method within its national development plans.[157] JICA has remained a constant partner throughout these 10 years. This long-term commitment and phased approach by all partners has been an important aspect to Lesson Study's success in Zambia.

Aflatoun International supports partners in civil society organizations to start social

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and financial education programs to demonstrate the viability of its material within the education system and to kick-start the development of relevant content for the national context. It estimates that the average time between the start of such a program and work on curriculum integration to commence to be almost five years.

In the Quality Education in Developing Countries initiative, the Bill and Melinda Gates and Hewlett foundations pooled resources and were willing to invest a substantial amount of long-term funding for something they believed would have a significant impact on learning. Pratham responded with a proposal that outlined the first generation of Read India. It was appropriate for a number of reasons, including its ambition to go "for all of India."[158] This support lasted more than eight years.

A long-term commitment is behind Room to Read's requirement that it must first raise funding for a minimum of three years before starting operations in a new country with full program implementation. The principle is that an effective program and commitments to communities and countries requires building networks and establishing roots without fear of discontinuing the program mid-stride. This finding is reinforced by research in other sectors, such as health, which found that more predictable funding at adequate levels enabled the system required for scaling health innovations to work.[159]

While ensuring that deep and lasting impact can take time, the cases also underscored the importance of demonstrating intermediate results. It is unrealistic to expect public or private funds to support an initiative for multiple years without seeing any results. Specific guideposts are needed to signal progress toward the achievement of desired final outcomes. Larry Cooley, founder of MSI Worldwide, and Linn found that securing and maintaining the commitment and resources needed to scale over this period requires "tangible milestones, strategic communications, and an explicit strategy for maintaining momentum."[160] Pratham's Read India program's "learning camps" focuses on low-cost, intensive bursts of teaching and learning activity, generally delivered between one to three months that lead to measurable improvements in young children's reading and mathematics. The Sesame Street approach focuses on more immediate learning improvements, in addition to its long-term, positive impacts on children.[161] For example, in Indonesia, researchers found that children who watched "Jalan Sesama" (the Indonesian co-production) regularly showed greater improvements in tests of early cognitive skills, letter recognition, number recognition, counting, health and safety knowledge, social development, environmental awareness, and cultural awareness than those who had no exposure to the show.[162]

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12. "Middle phase" financing:

Financing is required to bridge the critical stage between pilot and broad uptake.

Without flexible and long-term funding, many interventions die in the "middle phase" of scaling. This phase, which occurs after prototype or proof of concept but before implementation at scale, is particularly important but often neglected. Chandy and colleagues describe this "valley of death" as where most creative ideas and innovations end up.[163] Experience and literature reviewed found that new ideas and pilots generally had little difficulty finding funding—"donors love to fund promising innovative new ideas; ministers will push their pet project; and venture capitalists provide startup capital."[164] At the other end of the spectrum, large, established programs sustain their funding from national budgets. What is often missing in terms of development assistance, domestic budgets, and capital markets is support for the middle stage of scaling.[165]

Bridging this middle phase requires greater clarity and transparency regarding who funds which stage of the scaling cycle. Domestic funding is clearly needed to scale and sustain any efforts to improve learning at a national scale. Earlier on, external support in the form of financial, in-kind, or technical assistance is often needed during experimentation and adaptation of a model or approach. Over the past few decades, there has been a movement by the global community for improving donor effectiveness through greater harmonization or coordination of assistance.[166] However, to date, frameworks and policies calling for a clearer division of labor among donors have focused on financing across countries and sectors, and not on the phases or processes being financed. A greater focus on scaling could provide an opportunity for more rigorous research and data on funding along various stages of scaling.

Fundación Escuela Nueva managed to cross this valley of death, expanding an initial pilot of 150 rural primary schools in Colombia in the mid-1970s to eventually reaching more than 20,000 public schools by 1988. No single factor was responsible for this journey, but rather a number of mutually reinforcing drivers, including founder Colbert's appointment as vice minister of education in 1982, evidence of the model's impact, community mobilization and support, and long-term financing from international partners, such as USAID, the Inter-American Development Bank, the United Nations Children's Emergency Fund (UNICEF), and the World Bank. Escuela Nueva also demonstrates that even after crossing the middle phase, sustainability is not guaranteed. While the model reached a scale of 24,000 schools and became a national policy, the program has been shown to be susceptible to political and administrative changes. Over the years, as Colombia has become decentralized, Escuela Nueva's implementation and sustainability have been highly dependent on the political will and the technical and financial capacity of the local and regional educational authorities. In turn, the level of implementation of the program across the country is not consistent.

Silicon Valley could be a useful model to consider in terms of how it embraces and allocates resources according to risk. New ideas receive minimal funding, and

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as they prove themselves, they are able to attract more financial support. The more proved and less risky the initiative, the greater the sums available.[167] Some development agencies—such as USAID's Development Innovations Venture and the Innovation Against Poverty by the Swedish International Development Cooperation (Sida)—have been experimenting with this approach. Both of these initiatives have fed into the more recently launched Global Innovations Fund (GIF), which aims to connect "innovators with scaling partners" to successfully scale social innovations and reach millions in the developing world. GIF partners have committed more than $200 million over five years, and include DfID, USAID, Omidyar Network, Sida, and Australia's Department of Foreign Affairs and Trade. The GIF funding model utilizes venture capital approaches and experiences for development innovation through the use of "a tiered financing model [that] offers three stages of funding." Each stage is characterized by the level of advancement of the innovation and "by the level of evidence that supports its potential for success."[168]

Crossing the "valley of death" requires greater coordination and collaboration among government agencies and donors, including greater segmentation and transparency around who funds at which stage of the scaling cycle.