REPORT OF THE COUNTRY GRANTS AND PERFORMANCE COMMITTEE PART 1: OPERATIONAL FRAMEWORK FOR REQUIREMENTS AND INCENTIVES IN THE FUNDING MODEL OF THE GLOBAL PARTNERSHIP FOR EDUCATION AND RESULTS-BASED FINANCING PILOT

For Decision

1. PURPOSE

1.1. The purpose of this paper is to present the Board with Part 1 of the Report of the Country Grants and Performance Committee (CGPC) following its first face-to-face meeting held in Washington, D.C. from April 29 through May 1, 2014. This paper, Part 1 of the Report, includes recommendations on the Operational Framework for Requirements and Incentives in the Funding Model of the Global Partnership for Education, and the Results-Based Financing Pilot.

Part 2 of the Report will be presented to the Board during its June 27-28 Board meeting and includes recommendations on five Program Implementation Grant allocations, and a financing window for sector analysis in the Education Plan Development Grant.

1.2 This paper contains the following:

- Recommendation on the Operational Framework for Requirements and Incentives in the Funding Model of the Global Partnership for Education (para 2.1)
- Recommendation on the Results-Based Financing Pilot (para 8.1)

1.3 This paper has the following annexes:

Annex 1 – Roles and Responsibilities Related to the New Funding Model
Annex 2 – Overview of GPE Guidance and Support Related to the New Funding Model
Annex 3 – Introducing Performance-based Financing in GPE Funding Model: Building on the Results-Based Financing for Learning Outcomes Pilot
Annex 4 – Sample Scenarios for Implementation of GPE Funding Model

2. OPERATIONAL FRAMEWORK FOR REQUIREMENTS AND INCENTIVES IN THE FUNDING MODEL OF THE GLOBAL PARTNERSHIP FOR EDUCATION

2.1 The purpose of this Section is to implement **BOD/2014/02-06** requesting further elaboration of the new GPE funding model (see section 3.1 below) and to present the Board of Directors with a recommendation from the CGPC.

RECOMMENDED DECISION

2.2 The CGPC recommends the following decision to the Board:

> **BOD/2014/06-XX – Operational Framework for Requirements and Incentives in the Global Partnership for Education Funding Model for the 2015–2018 Replenishment Period: The Board of Directors:** adopts the Operational Framework for Requirements and Incentives in the GPE Funding Model for the 2015–2018 Replenishment Period as outlined in this paper and its annexes. In particular, the Board of Directors approves:
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> 1. The Requirements for applying for the fixed part of the Maximum Country Allocation (MCA) and the means of verification and process to address significant deviations from commitments (Section 4);
> 2. The proposed basis for accessing the variable share of the MCA through strategies that address equity, efficiency and learning outcomes and
> 3. the proposed conditions and modalities for accessing the variable part of the MCA (Section 5);
> 4. The proposed share of the fixed versus variable portion of the grant (Section 6).

3. BACKGROUND

3.1 At the Board of Directors meeting in Washington, D.C. in February 2014, the Board made the following decision:

> **BOD/2014/02-06 —** Global Partnership for Education Funding Model for the 2015 – 2018 Replenishment Period: The Board of Directors:
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> iv. requests the Secretariat to develop the necessary operational guidelines related to the requirements and incentives for review by the Country Grants and Performance Committee for recommendation to the Board in advance of the Replenishment Conference. The Board further requests the Secretariat to:

a. further develop the data and analytical requirements;
b. further specify the requirements in order to ensure that GPE financing is additional to other financing;
c. further analyze the appropriate size of the variable part of the MCA and whether the size should be the same for all countries or adjusted to contexts, recognizing that the Board is comfortable with a range of 25-35 percent. The Board agrees that the variable part will apply to all program implementation grants;
d. building on existing experiences and consultations with local education groups, in particular agency partners, identify what conditions need to be in place for different types of ex-post arrangements to work and related criteria for when ex-ante may be considered, noting that the Board has a preference for ex-post arrangements where country circumstances permit; and
e. ensure that monitoring and verification mechanisms for the requirements and incentives are properly addressed in the guidelines.

3.2 In accordance with the above decision, the Secretariat has further elaborated the details of the funding model. Building on the Funding Model paper presented to the Board in February as well as the Results-Based Financing Pilot paper, a draft Board paper was discussed by the Country Grants and Performance Committee (CGPC) on April 30-May 1. In addition, agencies playing the role of Supervising or Managing Entity (SE or ME) were given the opportunity to comment on draft versions either in their capacity as CGPC members or separately. The final paper presented to the Board of Directors incorporates the conclusions from the CGPC meeting. Efforts have also been made to address comments and concerns raised by SEs and MEs.

Purpose of the new funding model

3.3 The overarching objective of the Funding Model is to improve the Global Partnership's achievement of its Strategic priorities: the four strategic goals of access for all, learning for all, building for the future and reaching every child – as well as the five strategic objectives around fragile states, girls' education, learning outcomes, teacher effectiveness and funding. By strengthening requirements for accessing GPE funding and introducing a sector-level results-based approach to improve performance, the funding model provides strengthened leveraging mechanisms for greater impact and builds on the previously developed results-based financing concept.

3.4 The introduction of a fixed and a variable portion in country indicative allocations is the most innovative and ambitious element of the new funding model. It reflects the Global Partnership's historical commitment to have a positive leveraging effect on the development of national sector-wide policies, strategies and systems; with the understanding that these three elements are incontrovertible in the achievement of large-scale and sustainable education outcomes.

3.5 The **requirements** call for evidence-based education sector plans that provide relevant and credible strategies to improve access and learning for all children, recognizing that there are significant gaps in good quality education provision and interventions required to keep girls and boys in school, in particular for the poorest children but also for children (especially girls) in marginalized communities, girls and boys with disabilities, and girls and boys affected by crisis. Education sector plans must be backed by strong government and development partner commitment to implement and finance the actions needed to achieve progress. Finally, in order to define and measure this progress, the requirements call for improved data strategies to provide essential information on the education sector in general and marginalized groups specifically, on learning outcomes, and on education financing. This will require the inclusion of data from outside the education system.

3.6 The **incentives** incorporate the results-based financing concept but raises it to a sector-level results-based approach to provide additional pull for change under the broad headings of equity, efficiency and learning outcomes. The model provides room for both output and outcome-based approaches, to adapt to the needs of the wide range of contexts represented in the Partnership. "Equity" addresses the strategic goals of access for all and reaching every child, as well as the strategic objective of girls' education. "Efficiency" responds to the goal of building for the future and the objectives of teacher effectiveness and funding, while "learning outcomes" encompasses the goal of learning for all and the objective around learning outcomes.

3.7 The theory of change of the funding model is that (i) appropriate requirements in terms of education sector plan (ESP) development, financial commitments and data, along with incentives to prioritize learning, equity and efficiency, will improve the quality of ESPs, and (ii) implementation—incentivized by the variable part of the funding model—will systematically focus on results through monitoring of progress, and in turn will lead to improved education outcomes for children and youth.

3.8. The Funding Model seeks to strengthen existing country-led processes rather than adding new ones. Its success will in part depend on related efforts and support, first and foremost

through enhanced country-level processes, but also directly from the Global Partnership through the Education Plan Development Grant, strengthened Education Plan Preparation Guidelines and Secretariat technical support to Developing Country Partners and other country-level partners. Annex 1 explains the roles and responsibilities of country-level partners and the GPE governance structure in relation to the funding model, while Annex 2 lists GPE processes, guidelines and support that will enhance its effects. Annex 3 provides an analysis of ex-post arrangements and explains how the results-based financing pilot concept is embedded in the funding model. Finally, Annex 4 provides two illustrations of how the funding model can be rolled out at country level.

3.9 Based on these considerations, this paper lays out an Operational Framework that explains how the requirements and incentives will work. The Secretariat will finalize detailed guidelines following the Board decision, in consultation with the CGPC.

3.10 The following sections should be seen in light of the new criteria for eligibility for funding and the allocation formula used to determine eligible countries' share of the funds. In terms of eligibility to access Program Implementation Grant funding, the Global Partnership has enhanced its criteria to incorporate dimensions of Poverty, Education Vulnerability, and Fragility. The allocation formula has been replaced by a formula focused on "Needs" that will be used to calculate eligible countries' Maximum Country Allocation (MCA). Whether a country is allowed to apply for the full MCA will then be dependent on meeting the requirements and incentives elaborated in the following sections. The "Performance" element has been explicitly included in these requirements and incentives, to ensure that the link between GPE funding and performance is far more prominent than in the past, and thus promote a sound and innovative results-based approach in the education sector.

4. REQUIREMENTS, VERIFICATION AND MONITORING

4.1 Requirements: Countries eligible to apply for a Program Implementation Grant will need to fulfil the three requirements elaborated below by the time an application is submitted to the Secretariat for consideration. Countries that fulfil all three requirements may apply for the fixed portion of the Maximum Country Allocation (MCA).

The requirements are related to the broader education sector development and monitoring process. Developing Country Partners may choose to improve current or future capacity to fulfil the requirements through specific activities proposed in an application for an Education Plan Development Grant or Program Implementation Grant.

The requirements do not mean that Developing Country Partners must align their Program Implementation Grant cycle to their education sector plan implementation cycle. However, aligned funding cycles tend to contribute to overall aid effectiveness, and such alignment is therefore encouraged.

4.1.1 Requirement 1:
A credible[1], endorsed Education Sector Plan or Transitional Education Sector Plan

The purpose of this requirement is to ensure that education aid, including from the Global Partnership, (i) is based on a solid, nationally owned analysis of the challenges of delivering quality basic education to all boys and girls, including those from marginalized groups, and (ii) builds institutional capacity to deliver education services equitably and efficiently. The timing of the endorsement should assure that the sector plan is driving the Program Implementation Grant application, and not vice versa. More specifically, a 'credible' Education Sector Plan (ESP) will include evidence-based strategies for access to quality basic education for all, cover all sub-sectors and both formal and non-formal education, have an appropriate balance between sub-sectors, and focus on the learner as the central beneficiary. To be feasible, an ESP must pay attention to financial, technical and political constraints and stakeholder ownership, and be context-sensitive with regard to vulnerabilities such as conflicts, natural disasters and economic crisis. While this paper cannot provide full details on the elements that make a plan credible, the Appraisal Guidelines will be adjusted to ensure they assess that plans fill the requirement.

There are two alternatives to fulfilling this requirement:

(A) A credible ESP or equivalent[2], including a costed multi-year implementation plan, must be endorsed by the development partners no later than three months before submission of a Program Implementation Grant application. An application may be submitted based on a previously endorsed education sector plan, provided that it is still valid and there is a costed multi-year implementation plan that covers at least the first two years of the grant cycle. If a government education sector plan exists but has not been endorsed by partners, Development Partners may conduct an appraisal and endorse the plan at any time during its implementation.

[1] See GPE/UNESCO IIEP *Guidelines for Education Sector Plan Preparation and Appraisal* http://www.globalpartnership.org/content/gpe-unesco-iiep-guidelines-for-education-sector-plan-preparation-and-appraisal

[2] Some countries may have multi-sectoral plans or other arrangements. While the Global Partnership will not be prescriptive regarding countries' planning architecture, it is important to have plans that meet the credibility criteria listed in footnote 4.

(B) In fragile and conflict-affected states, a costed Transitional Education Sector Plan (TESP) may fulfil the requirement. It must be endorsed no later than three months before submission of a Program Implementation Grant application. A TESP may not cover all sub-sectors but should cover medium-term education sector priorities at least in basic education. A TESP should include a process to conduct sector analysis and elaborate a full ESP.

4.1.2 Requirement 2:

Evidence of commitment to finance the endorsed ESP or TESP

The purpose of this requirement is to promote mutual accountability among GPE partners for progress towards access to quality education for all children. This requirement therefore has two elements: (A) Government commitment and (B) Development Partners commitment.

(A) **Government Commitment:** When submitting an application for a Program Implementation Grant, the Government must specifically confirm its commitment to finance the ESP or TESP. In countries where 20 percent or more of domestic resources are allocated to education, the Global Partnership seeks commitment to at least maintain current levels; while for countries where current levels are lower than 20 percent, the Global Partnership seeks Government commitment to increase the domestic share of resources to education progressively towards 20 percent. In countries that have not reached Universal Primary Education, the Global Partnership seeks commitment to allocate at least 45 percent of the education budget to primary education. In addition to financial commitments, the application form should make reference to legislation that underpins sector plans and policies.

(B) **Development Partner Commitment:** The Development Partners' endorsement, which must be communicated to the Secretariat, signifies commitment to predictable and effective aid aligned to the government priorities defined in the ESP or TESP, and will normally cover intended financial support to the ESP or TESP as reflected in the plan's financial framework[3]. The *additionality* of GPE funding will be demonstrated through the data provided in the Program Implementation Grant application form on sector financing (where GPE funding as a percentage of external financing is projected), which should correspond to external commitments expressed in the ESP or TESP budget confirmed through endorsement. Trends in external financing to education will be used to assess and monitor Development Partner Commitment to additionality.

[3] Sources of funding for the ESP or TESP will normally be reflected in the multi-year implementation plan.

4.1.3 Requirement 3:

Critical data and evidence for planning, budgeting, managing, monitoring and accountability, or alternatively, a strategy to develop capacity to produce and effectively use critical data

The purpose of this requirement is to contribute to improve data as a tool to diagnose, draw evidence from education needs and challenges, develop relevant, appropriate sector strategies and track progress towards realistic targets. UNESCO Institute for Statistics (UIS) reports will be used to help assess the availability of critical, gender-disaggregated data at country level. Other sources including household surveys should be used to enhance the understanding of education for marginalized groups such as those in the lowest income quintiles and children with disability. While the data requirement promotes reporting to UIS, the primary purpose of the requirement is to strengthen country-level accountability and the development and monitoring of education sector plans at country level.

The requirement is divided into three sub-components:

(A) Countries applying for a Program Implementation Grant must have conducted *an education sector analysis (ESA) no more than three years prior to the grant application submission*, as the basis for the development or revision of an Education Sector Plan (ESP). When an endorsed ESP is already being implemented, the requirement is to *conduct an ESA prior to the development of the next phase of the ESP*. In fragile contexts, a Transitional Education Sector Plan (TESP) must include *a time-bound plan to carry out an ESA*. The ESA should include context analysis, including demographic analysis, as well as analysis of existing policies, costs and financing, system performance and system capacity. The ESA must address vulnerability and equity, particularly the situation of education for marginalized groups, including girls and children with disabilities.

(B) Countries applying for a Program Implementation Grant must also be able to provide *basic financial and education data* disaggregated by gender and socio-economic status,[4] to monitor sector progress and report critical data to UNESCO Institute for Statistics (UIS) for global monitoring of education progress; OR *a time-bound plan to develop or strengthen the national Education Monitoring and Information System (EMIS)* to produce reliable education and financial data and reporting systems for improved education planning and management.

[4] Disaggregation by socio-economic status refers to household survey data.

(C) Countries applying for a Program Implementation Grant must have *a system or mechanisms to monitor learning outcomes*[5], such as a national learning assessment system, OR *a time-bound plan to develop mechanisms to monitor learning outcomes*.

4.2 Verification and monitoring

4.2.1 Compliance with the above requirements will be *verified* through the Quality Assurance Review (QAR) process accompanying the grant application process. Commitments and progress on requirement-related actions will be *monitored* throughout ESP or TESP implementation by the Local Education Group (LEG) through joint sector reviews or similar country-led monitoring mechanism, which in turn will inform the Secretariat's annual Portfolio Review submitted to the CGPC and the Board.

4.2.2 Fulfilling the requirements allows countries to apply for the fixed part of the Maximum Country Allocation (MCA). Approval of a Program Implementation Grant will continue to depend on the quality of the application and decision by the Board.

4.2.3 Specifically, verification and monitoring will be integrated into existing processes as follows:

- The first phase of the QAR, at the initial stage of the grant application process, will include a discussion of the country's readiness to fulfill the requirements. This will include identification of milestones to help address any identified gaps during the program development process.
- The second phase of the QAR will continue to principally focus on the quality of the draft program, but will also assess progress with regard to milestones for meeting the requirements as an element of readiness to meet application deadlines.
- The third phase of the QAR will verify whether all requirements have been fulfilled. The Final Readiness Review (FRR) prepared by the Secretariat will include a section on the requirements to inform the CGPC's discussion of the grant application.

4.2.4 Progress on data strategies and the implementation of ESPs, as well as financial commitments made by Government and Development Partners, will normally be monitored by the LEG through the country's joint education sector review or similar country-owned mechanisms for monitoring the implementation of sector plans. The Secretariat will keep track

[5] National examinations are not considered as an effective monitoring mechanism if their data are not directly used to monitor learning outcomes at school level. Likewise, issuing diplomas is not considered as a monitoring mechanism dedicated to improve learning.

of whether countries undertake joint annual sector monitoring. The Secretariat will participate in joint sector reviews whenever possible and/or will review joint sector review reports/aide memoires with particular attention to progress related to the requirements.

4.2.5 The LEG should discuss the causes of major deviations from endorsed plans and commitments—including significant gaps between financing commitments and execution that threaten implementation of the ESP or TESP, or shifts in policy priorities that render the endorsed plan irrelevant or considerably weakens its implementation. The LEG should examine causes for these deviations to determine whether they undermine the mutual accountability on which the GPE support was agreed. LEG-recommended remedial actions should be integrated in joint sector review reports/aide memoires. The Secretariat will seek to play a facilitating role when needed and requested.

4.2.6 In cases where there are significant deviations from commitments that undermine the basis on which GPE funding was granted, the CGPC may recommend to the Board whether to (1) reduce funding until remedial measures have been taken[6]; or (2) freeze further disbursements on the grant until remedial measures are taken. To inform the CGPC's decision, the SE or ME in consultation with the LEG will present a recommendation for action that would highlight potential consequences and risks related to the above scenarios.

4.2.7 In addition, if the country is eligible to apply for a subsequent Program Implementation Grant, significant deviations will be discussed in QAR Phase I and will form part of the Secretariat's assessment of the previous grant in QAR Phase III through the Final Readiness Review for consideration by the CGPC. The CGPC would recommend and the Board would decide whether (1) no remedial measures are required; (2) to reduce the country's allocation; (3) to request remedial measures and a re-submission of the application; or (4) to not approve a new grant.

5. OPERATIONALIZATION OF THE INCENTIVES-BASED PART OF THE MAXIMUM COUNTRY ALLOCATION

5.1 Basis for accessing the incentives-based part of the MCA

5.1.1 The Board of Directors has agreed that access to the variable, performance-based share of the MCA will depend on evidence of actions and corresponding indicators confirming transformative strategies to improve equity, efficiency and learning outcomes in basic

[6] Note that funding commitments from the Global Partnership are made on an annual basis.

education. Depending on the context and capacity levels, indicators can be process, outcome or output-related.

5.1.2 “Equity” for this purpose refers to addressing disparities in education access, quality and learning outcomes, including gender, income, region-based and other disparities. The availability of data to assess internal disparities at country level is readily available in terms of these three broader categories, but less available in terms of other issues that give rise to inequity, such as disability. If lack of data is a problem to address disparities, efforts to obtain such data should be made and alternative assessment indicators should be used.

5.1.3 For GPE purposes, “Efficiency,” is defined in relation to access, quality and learning outcomes, as the ratio of outcomes versus resources for these dimensions. One example would be the ratio of school life expectancy (the average level of effective schooling attained by the population) compared to spending (percentage of GDP for education), indicating how many years of effective schooling a country's public expenditure is able to buy. But other dimensions of efficiency with regard to access and quality can be developed, depending on the availability of data. The absence of data to develop assessments and indicators on efficiency would have to be addressed in the same way as for equity.

5.1.4 The issue of student learning outcomes has already been addressed as part of the data requirements in Section 4.1.3. While the requirements address *data* on learning outcomes, the incentives address *actions* to improve learning outcomes, incentivizing strategies to manage and remedy learning issues. Funds would be linked to results in the form of improvements in student learning (e.g. percentage of students achieving literacy or numeracy standards as defined by the country), or to proxy outputs linked with an evidence-based theory of change to improve learning (e.g. number of instructional hours; availability of instructional materials; textbook ratios for reading and math; percentage of qualified teachers, etc.).

5.1.5 Section 5.2 below outlines a country-level process to raise questions related to these three areas and to identify actions or strategies that will underpin the approval of the variable part of the MCA, which would be released according to one of the modalities defined in Section 5.5.

5.1.6 Countries may decide to only apply for the fixed portion of the MCA.

5.2 Process for accessing the variable share of the MCA

5.2.1 To access the variable portion of the MCA, Developing Country Partner governments in consultation with their LEG members will identify key strategies or policies in the three areas of equity, efficiency and learning outcomes, deemed likely to lead to substantial progress in the

medium-term, and hence to be transformational (ref. Section 5.1). The process will be as follows:

5.2.2 Selected policies or strategies must be discussed with and validated by the LEG as an integral part of the sector plan development, or alternatively, through the review and revision of a sector plan. In general, targets set through this process should be above and beyond a mere continuation of current trends—a stretch, but achievable, and be integrated within the broader ESP framework.

(a) For countries developing new ESPs or TESPs: Guidance on developing relevant sector strategies is integrated in the Guidelines for Education Sector Plan Development and Appraisal. A specific section of the Appraisal Guidelines in the form of a three-tiered screening on equity, efficiency and learning will explicitly assess the credibility, relevance and robustness of strategies to address these. Based on the ESP or TESP and its Appraisal, the LEG will agree on strategies or actions and corresponding indicators that will be proposed as the basis for accessing the variable part of the grant (see Annex 4).

(b) For countries that will be applying for a Program Implementation Grant based on a previously endorsed ESP or TESP (i.e., no new ESP or TESP will be developed), the LEG will conduct or commission an assessment on the strength of ESP or TESP strategies for equity, efficiency and learning outcomes prior to QAR Phase I, using the screening approach from the Appraisal Guidelines. The conclusions should be discussed by the LEG to agree on key strategies or actions and indicators that constitute a "stretch" (see Annex 4).

5.2.3 The justification for the proposed actions and indicators will be included in the Program Implementation Grant application and must include a results chain showing that the selected actions are based on a credible theory of change. The Program Implementation Grant application will explain the selected actions, why they are expected to have the desired impact (with reference to the appraisal and any relevant studies or evaluations), references to their integration in the multi-year implementation plan, and means of verification. As such, the selected actions and indicators will be subject to the Quality Assurance Review along with the application as a whole.

5.2.4 Approval of the grant application can either be comprehensive or partial, i.e. the Board could approve the proposal in its entirety, or for the fixed part of the grant only if the justification for the variable part is deemed insufficient. In the latter case, the Board may request the country to come back with an improved request for the variable part of the grant.

5.3 Definitions of ex-post and ex-ante arrangements

5.3.1 It has been agreed by the Board that an ex-post approach to performance-based financing is preferred, but that conditions for such an approach to succeed should be analysed and criteria for using an ex-ante approach should be defined.

5.3.2 For GPE purposes, the definition of ex-post is that payments on the variable portion of a Program Implementation Grant allocation are made after the fact based on verifiable results. These results could be in the form of processes, outputs or outcomes that are part of the Education Sector Plan (and not necessarily part of the actual program financed by the grant). This definition implies both variability and uncertainty in the total amount that would be disbursed over a grant period. An ex-post arrangement seeks to reward attained results only.

5.3.3 In comparison, an ex-ante arrangement means that the variable allocation is not linked to actual attainment of results. The approval of the total allocation (fixed and variable) occurs prior to implementation. This reduces the incentivizing nature of the variable tranche and will only be accepted in exceptional cases (see section 5.5.3).

5.4 Conditions for ex-post or ex-ante arrangements

5.4.1 Selected experiences from performance-based financing in the education and other sectors are summarized in Annex 3. This analysis concludes that:

(1) Some ex-post arrangements require strong capacity, including fiduciary capacity, within the Developing Country Partner education system. Depending on the mechanisms used, ex-post arrangements may not be appropriate where the primary challenge is capacity.
(2) Ex-post arrangements require clear buy-in from the recipient country, with mutual trust between payer and recipient.
(3) Ex-post arrangements require sufficient capacity within the Supervising or Managing Entity (and for GPE purposes, within the Local Education Group) to identify, negotiate and formulate the arrangements and agree on targets that are neither too challenging nor too easy to attain.

5.4.2 Ex-post arrangements will be organized in a way that takes these challenges into account, yet is feasible in most contexts. The ex-post arrangements described in Section 5.5.2 are adapted to the level of capacity of countries, the absorption capacity of the system and the implementation arrangements used. Further adaptation to contexts—in particular fragile contexts—is possible by basing the release of the variable tranche on process indicators (such as the adoption of a policy) or output indicators (such as the deployment of a given number of

teachers to marginalized areas). In contexts with a higher level of capacity, outcome indicators should be used (such as measurable progress in learning outcomes).

5.4.3 Since the proposed arrangements for ex-post financing (combined with context-appropriate actions and indicators) should present viable conditions for most contexts, the use of ex-ante approaches will be the exception and will need pre-clearance by the CGPC. The ex-ante modality described in Section 5.5.3 presents criteria for using this approach.

5.4.4 The appropriate modality in a given context needs to be discussed and agreed within the LEG and justified to the GPE Board as an integral part of the grant application. The SE or ME will need to be the key negotiator with the Government at country level, in its capacity as the agency with legal responsibility and accountability for ensuring that the variable tranche is released according to agreed conditions.

5.5 Modalities for the release of the variable tranche

5.5.1 Whether ex-post or ex-ante, the specific arrangements will be made in agreement between the Government and SE or ME, approved by the LEG with due consideration of GPE conditions for ex-post or ex-ante arrangements, and assessed through the Quality Assurance Review process.

5.5.2 **Ex-post modalities:** For ex-post arrangements, the Government and SE or ME in consultation with the LEG can agree at the program design phase to either (1) disburse the variable tranche alongside the fixed tranche as part of a three or four-year grant, or (2) to disburse the fixed tranche and variable tranche *sequentially* over four to five years, where the variable tranche constitutes a final project phase conditioned on indicator progress.

The feasibility of disbursing the variable tranche alongside the fixed part of the grant will depend on a number of factors, including capacity to make progress on the agreed (process, output or outcome) indicators in the relatively shorter term, and the degree to which the financial arrangements provide flexibility to adjust to the potential non-disbursement of the variable tranche without putting the program at risk. This may be more feasible for pooled funds or sector budget support, where GPE funds would not be earmarked for specific activities. Conversely, the add-on year may be more feasible where a project approach is used. The application should include plans for how the variable tranche will be used.

The SE or ME in collaboration with the LEG will monitor progress on the agreed indicators for the variable part of the grant according to agreed timelines. If progress is considered satisfactory, the variable tranche will be released. If progress on the indicators is found to *not* be

satisfactory, only the fixed part of the grant would be disbursed to the Developing Country Partner. Since conditions for the release of the variable tranche would be specified in the Grant Agreement between the Government and SE or ME, the main adjudicator will be the SE or ME, whereas the LEG's role will be to ensure transparency and accountability.

In cases where the incentives tranche of the grant is released sequentially, if progress on the *fixed* part of the grant is satisfactory and the country is eligible for another Program Implementation Grant, the country can prepare an application for a new Program Implementation Grant that can overlap with the disbursement of the incentives-based tranche for a maximum of one year.

5.5.3 **Ex-ante modality:** If an ex-post approach is not workable in a given context, the Government and Development Partners must provide a justification for ex-ante at the time of QAR Phase I. This justification must address (1) the selected strategies on equity, efficiency and learning outcomes that would lead to the ex-ante release of the variable tranche; (2) a clear justification for why the release of the full tranche would be required within the original three or four-year period of the grant and could not be added as an add-on tranche. The justification must include evidence of the additionality of GPE funds; (3) a budgeted plan for improving national systems to facilitate more aligned education support in the medium-term. Program Implementation Grant funds may be programmed to finance this plan.

The justification for the ex-ante approach will be presented to the CGPC for approval before QAR Phase I is concluded. Since an ex-ante approach would reduce the incentivizing effect of the funds, it is expected that it would be accepted only in exceptional cases where the context is fragile, capacity and availability of funding is low, and educational needs are critical in the shorter term. Absorption capacity needs to be considered carefully in such circumstances.

5.5.4 Since the incentives are *sector based* rather than program based, the *use* of the variable tranche may or may not be directly linked to the actions or indicators on which the release of the tranche is based. In addition to this sector based form of results-based financing, Governments and SEs or MEs in consultation with the LEG are encouraged to adopt results-based mechanisms for the fixed part of the grant, where feasible.

6. SIZE OF FIXED VERSUS VARIABLE PORTION OF THE MAXIMUM COUNTRY ALLOCATION

6.1 There is broad agreement that the GPE Funding Model needs to adapt to the wide range of contextual challenges faced by Developing Country Partners. There are a number of ways to contextualize the application of the Funding Model, one of which is to set the percentage of the variable portion of the Maximum Country Allocation (MCA) at a lower level for countries categorized as fragile.

6.2 Three considerations have been made to inform the decision to keep the size of the fixed versus the variable portion of the MCA the same for fragile and non-fragile contexts:

(1) countries move in and out of fragility over time; (2) the indicators used to categorize countries as fragile are not directly related to the capacity to develop and implement education sector programs; and (3) the Funding Model offers other opportunities for differentiating according to context, including through the application of the requirements and the choice of actions and indicators (process, output or outcome) used as the basis for accessing the variable part of the grant.

6.3 On this basis, the CGPC has agreed to recommend a fixed allocation of 70 percent and a variable allocation of 30 percent for all countries. This option applies the median of the range indicated by the Board to all eligible countries.

7. NEXT STEPS

7.1 Upon approval of the Operational Framework for Requirements and Incentives, the Secretariat will adjust the following documents to reflect the new arrangements:

(1) Country-Level Process Guide
(2) Program Implementation Grant guidelines
(3) Appraisal Guidelines, including section on screening for equity, efficiency and learning outcomes strategies.

Countries planning to apply for a Program Implementation Grant in the first round of 2015 will be given specific guidance before these documents are updated.

8. RESULTS-BASED FINANCING PILOT

8.1 The purpose of this Section is to present the Board of Directors with a recommendation from the Country Grants and Performance Committee (CGPC) following its April 29-May 1, 2014, to approve a proposal to incorporate the work of the Results-Based Financing Pilot in Board decision BOD/2012/11-09 into the new funding model. The recommendation was shared with the Governance, Ethics, Risk and Finance Committee as an information item.

RECOMMENDED DECISION

8.2 The CGPC recommends that the Board approve the following decision:

> **BOD/2014/06-XX—** In reference to its decision (BOD/2012/11-09 – **Launch of a Results-Based Financing Pilot**)**:** The Board of Directors:
>
> 1. recognizes the importance of and appreciates the work performed to date on developing the operational guidelines for a Results-Based Financing pilot focused on learning outcomes;
> 2. determines to incorporate the work to date on the Results-Based Financing Pilot into the new funding model.

9. BACKGROUND

9.1 In November of 2012, the Board approved a proposal from the former Financial Advisory Committee (FAC) for a results-based financing pilot aimed at creating incentives to stimulate countries to focus on learning outcomes, and based on four guiding principles – country ownership, complementarity, minimal additional requirement, and transparency:

> **BOD/2012/11-09 – Launch of a Results-Based Financing Pilot:** The Board of Directors:
>
> a. approves:
>
> i. the launching for the second round of funding in 2013 of a results-based financing pilot, focused on learning outcomes and based on the principles set out in Annex 5 of BOD/2012/11 DOC 07 (the "Pilot"); and
>
> ii. an increase to the Secretariat budget of 1 July 2012 to 31 December 2013 of US$125,000 to cover the costs of a half a full time equivalent position to support the Pilot; and

b. delegates to the Financial Advisory Committee the authority to approve the operational guidelines for the Pilot, which shall be released by 30 April 2013 to allow countries to make an informed decision about whether they wish to participate in the Pilot in Round 2 of 2013.

9.2 The Pilot aimed at adding a separate, results-based funding component to program implementation grants. It included inviting developing country partners submitting a program implementation grant to submit a proposed list of indicators and targets focusing on outcome indicators, or system-strengthening indicators, depending on local needs and capacity. These indicators and targets related to the Pilot would then be added to the standard program implementation grant agreement and the developing country partner would track performance on these specific targets, verified by an independent assessment. Upon a positive assessment, the country would receive the additional Pilot-related payout. The Pilot component would not affect the basic program implementation grant.

9.3 Approximately US$50 million was initially provisioned in the financial forecast for the expected results-based payments. This did not affect indicative allocations for program implementation grants in the current replenishment period as the funds would only be required at the end of the implementation period of grants approved for an allocation in the second round of 2013 (i.e., 2016/2017). However this amount (later reduced to US$20 million) would be expected to negatively impact resources available for program implementation grant allocations in the 2015-2018 period. The operational costs over the duration of the Pilot were initially estimated to be between US$1.9 million and US$3.6 million, while the effect on the 2013 Secretariat budget was expected to be limited to the cost of half of the time of an additional Secretariat member.

10. WORK TO DATE

10.1 In 2013, the Secretariat set out to implement the Board decision and began to develop the operational guidelines for the Pilot. The Secretariat hired a senior economist (22 days of consultancy) and consulted with members of the FAC (USAID), supervising entities, and task team leaders of the World Bank (30% of staff time for three months). The Secretariat further considered other RBF processes operationalized in the field (DIFD-funded work in Zambia) and observed RBF processes at country-level. The work culminated in draft operational guidelines for the Pilot that focused on improving learning outcomes, which were presented to the FAC for consideration in October of 2013.

10.2 The FAC and the Secretariat agreed that the work of the Pilot needed to be considered in the context of the redesign of the funding model that was getting underway. Following a second round of consultations with members of the FAC and Secretariat Country Leads, the operational guidelines for the Pilot were finalized. However, by then, the Secretariat thought it prudent to pause and give thought to how the Global Partnership provides funding overall, feeling strongly that the goals of the Pilot should not only be embedded, but expanded on, and prominently featured in the new funding model. With the FAC replaced by the CGPC, the Secretariat next reported back to the CGPC on the operational guidelines 0f the Pilot in February of 2014. The Secretariat explained how the new funding model that had just been adopted by the Board would not only incorporate the goals of the Pilot, but go far beyond it and become an important feature of the new GPE business model.

11. REASONS FOR RECOMMENDATION

11.1 In February of 2014, the Board adopted a new funding model for program implementation grants which includes an operational framework that strongly encourages results-based financing. In the new model, grants are paid out in two tranches: a "requirements" related payment is released upon the country meeting requirements related to the Education Sector Plan, data, and domestic/external financing; an "incentives" related payment is released after the country meets agreed targets related to equity, efficiency and learning. Consistent with the aims of the Results-Based Financing Pilot, the ultimate goal of the variable or incentives tranche of program implementation grants in the new funding model is to incentivize key policies, strategies, and results in national education systems by establishing clear targets related to equity and efficiency - in addition to learning - and measuring results. With this new results-based component, the work of the Pilot is largely embedded in the new funding model, making the Pilot unnecessary.

12. IMPLICATIONS FOR SECRETARIAT RESOURCES

12.1 With the incorporation of the work of the Pilot into the new funding model, the provision in the financial forecast can be removed improving the ability of the Global Partnership to finance allocations under the new funding model, and the Secretariat will no longer require dedicated support for the operational costs of the pilot.

13. NEXT STEPS

13.1 Pending Board approval, the related provision in the financial forecast will be removed.

ANNEX 1: ROLES AND RESPONSIBILITIES RELATED TO THE NEW FUNDING MODEL

Partner	Requirements Responsibilities	Incentives Responsibilities
Government	• Primary owner of sector analysis, data strategy, ESP/TESP development and implementation, and Government policy and financing commitments • Conducts and leads joint annual monitoring exercise	• Decides whether to apply for the incentives-based part of the grant • Primary responsibility for reviewing policies/strategies for equity, efficiency and learning outcomes, deciding on 'stretch' actions and implementing these • Primary responsibility for reporting on results
Coordinating Agency	• Facilitates requirements dialogue and monitoring of related milestones in the QAR process with support from Secretariat • Supports Government in organizing JSR or other monitoring mechanisms (as relevant to local partnership framework roles and responsibilities) • Ensures that ESP reports, sector review reports/aide memoires are shared with Secretariat	• Facilitates discussion and collaboration around equity, efficiency and learning outcomes to identify 'stretch' actions • Supports so that discussion around results are integrated in joint monitoring mechanisms
Supervising or Managing Entity	• No specific role with regard to Requirements (other than as DP), as these are related to the sector and not the GPE-financed program specifically	• Primary responsibility for negotiating agreement on actions and modalities, and for monitoring results • Primary responsibility (based on third-party verification) for assessing results for release of disbursements in ex-post arrangements • Reports to Secretariat on justification for disbursements
Development Partners & private foundations	• Support sector analysis, data requirement and learning data and ESP/TESP development with additional resources and/or technical expertise • Align own support to ESP • Engage in joint monitoring of commitments • Accountable for DP commitments and additionality of GPE funds	• Take an active part in discussions around equity, efficiency and learning outcomes strategies • Take an active part in discussion around results • Identify synergies with their own support as appropriate to enhance overall results
Civil Society Organizations & teacher	• Support sector analysis, data requirements and ESP/TESP development process with own resources and technical expertise	• Take an active part in discussions around equity, efficiency and learning outcomes strategies • Take an active part in discussion

organizations	• Align own initiatives to ESP • Engage in joint monitoring of commitments • Accountable for CSO commitments	around results • Identify synergies with their own support as appropriate to enhance overall results
Local Education Group	• Forum of discussion and agreement for policy dialogue, including sector analysis, data and implications for ESP development and endorsement • Forum for discussion on alignment and harmonization to ESP • Forum for joint monitoring of ESP and corresponding commitments, including agreement on to adjustments for progress	• Forum of assessment of existing strategies and agreement around what would constitute a stretch beyond continuation of existing actions • Forum for joint monitoring of strategies and assessment of results
Secretariat	• Guidance and processing of Education Plan Preparation Grant for sector analysis and plan preparation • Guidance and technical support on ESP or TESP Preparation and Appraisal as requested • Verification that Requirements are met and reporting to CGPC in FRR • Reports on commitments in Portfolio Review	• Provides guidance on screening of existing strategies through Appraisal Guidelines and technical support as requested • Provides guidance and quality control through QAR process • Summarizes documentation and facilitates clearance of ex-ante approach by CGPC • Summarizes documentation and process in QAR Phase III for presentation to CGPC • Reports on results in Portfolio Review
CGPC	• Review of Secretariat's verification of Requirements as part of grant application review, and recommendation to Board on whether Requirements are considered fulfilled • Recommends whether lack of performance with regard to previous commitments should have implications for disbursements of current grant or for new grant approval	• Clears ex-ante approach at QAR Phase I stage in exceptional circumstances • Reviews and makes recommendations on the variable part of the grant as part of application review • Monitors results through Portfolio Review and signals problems to the Board
Board	• Final approval of Grant if Requirements are fulfilled • May decide to freeze or reduce disbursements if LEG signals that execution is significantly below commitments • Decides whether lack of performance with regard to previous commitments will have implications for new grant allocation	• Final approval of variable part of grant • May ask for further clarification from SE or ME if results do not meet expectations

ANNEX 2: OVERVIEW OF GPE GUIDANCE AND SUPPORT RELATED TO THE NEW FUNDING MODEL

This Annex contains a brief overview of guidance and support the Global Partnership for Education will be able to provide to assist countries in creating optimal conditions for filling the requirements and accessing the incentives-based part of the Program Implementation Grant. There are three levels of support: guidelines, technical support, and grant support.

1. Guidelines

The main tool available from the Global Partnership for the development and appraisal of education sector plans is the *Guidelines for Education Sector Plan Preparation and Appraisal*, developed jointly by the GPE Secretariat and the UNESCO International Institute for Educational Planning (IIEP). These Guidelines are being updated and the *Appraisal Guidelines* in particular will take into account any adjustments required in relation to the new funding model, such as the three-tiered screening of sector plans for equity, efficiency and learning outcomes.

The Secretariat will also update the *Country Level Process Guide* and the *Grant Guidelines* to provide clear guidance on how to adjust the country process to the new funding model.

All of these updates will need to await approval of the Funding Model details on Requirements and Incentives.

2. Technical support

The GPE Secretariat can offer the following technical support:

- *Technical support to the education sector planning process:* Recent restructuring of the Secretariat has reduced the number of countries per Country Lead in the Country Support Team, enabling Country Leads to engage more often and consistently with countries. The Country Lead's particular role in each context usually depends on various factors, including the technical capacity of the Local Education Group, the partnership dynamics at country level, the number of partners present at country level, the level of fragility of the context, etc.

  The new funding model will at the very least mean that the Secretariat will provide support to ensure clarity around the Requirements as well as the focus on equity, efficiency and learning outcomes that form the basis for the incentives-based part of the grant. But the intention is to be a dialogue partner around sector development in a deeper sense. Among

other things, the Secretariat may be requested to participate in consultations with the LEG on:

- ✓ Sector analysis and identification of country-level data gaps
- ✓ Gender analysis (in collaboration with UNGEI)
- ✓ Analysis of strategies to improve equity, efficiency and learning outcomes
- ✓ Public Finance Management assessments and related discussions of capacity needs and capacity development for greater use of national systems, to facilitate agreement on pathway to more aligned modalities.

- *Participation in Joint Education Sector Reviews:* The Secretariat will seek to participate in Joint Education Sector Reviews or other joint sector monitoring mechanisms, to participate in monitoring and discussion of sector progress in general as well as any areas directly linked to the funding model. The Secretariat will adjust its role to the needs and requests of country-level partners.

3. Financial Support

- *Education Plan Development Grant:* the Data Strategy and Funding model have implications for the financial support provided to countries in developing their ESP or TESP. A separate proposal was submitted to the CGPC, proposing the following:

  - A maximum of US$ 250,000 per country (or per region or province in Federal States without a national education sector plan) for support to the sector planning process; and
  - A maximum of US$ 250,000 to support education sector analyses[7], or the development of a data or learning assessment strategy

  This proposal is presented to the Board in a separate paper.

- *Program Implementation Grant*:

  - If relevant, financing from the Program Implementation Grant can be used to implement plans related to the data requirements, such as sector analysis, developing or strengthening of Education Management and Information Systems (EMIS), or the development of measures to assess learning outcomes. It can also be

[7] Including Public Finance management aspects

used to adopt strategies to obtain data on marginalized populations, such as children with disabilities.

- For countries accessing GPE funding through a Transitional Education Sector Plan, it is highly recommended that a part of the Program Implementation Grant is used to finance the development of a full sector plan, unless other resources are committed to do so.

ANNEX 3: INTRODUCING PERFORMANCE-BASED FINANCING IN GPE FUNDING MODEL: BUILDING ON THE RESULTS-BASED FINANCING FOR LEARNING OUTCOMES PILOT

The first part of this annex provides an overview of ex-post results-based financing within existing GPE grants as well as approaches used by other agencies, drawing out some lessons learned from different approaches. The annex then expands on how the results-based financing for learning outcomes pilot concept is integrated in the new funding model.

The general definition used for ex-post arrangements encompasses variable payments made to a GPE-funded Program based on **verifiable results**. These results could include processes, outputs or outcome targets that are connected to the Education Sector Plan. This definition implies both variability and uncertainty in the total amount that would be disbursed over a grant period. The variable payments occur after the start of the Program (hence the term ex-post). An ex-post arrangement seeks to reward attained results only.

The definition of ex-ante arrangements covers variable allocations confirmed to a GPE-funded Program based only on **commitments** (process, outputs or outcome targets) that are linked to the Education Sector Plan. The confirmation of the total allocation (fixed and variable) occurs prior to Program approval; hence the term *ex-ante*.

1. Examples of results-based ex-post payment mechanisms within GPE grants

There is currently a growing number of results-based financing approaches with clear-cut ex-post tranche payments used in GPE-supported Program Implementation Grants, notably (but not exhaustively):

In **Zambia,** ex-post payments on Disbursement Linked Milestones (DLM) cover a mixture of outcome, output and process indicators through a sector budget support modality. The UK Department for International Development (DFID) is the Supervising Entity for this ongoing Program Implementation Grant.

Gambia, Results for Education Achievement and Development (READ): IDA and GPE-financed project with parallel financing provided by the government. The project comprises four components. The first three will be executed through a traditional investment project financing approach while the forth will use a results-based approach. For the latter, disbursement will be carried out against Disbursement Linked Indicators (DLI).

Other World Bank programs with Disbursement Linked Indicators (DLI) include Uganda, Cameroon, Senegal and Sindh/Pakistan.

2. Examples of ex-post payment mechanisms employed by other agencies

Cash on delivery (COD): DFID and the Government of Ethiopia are implementing a secondary education program that aims to increase the number of students who receive a quality lower secondary education. DFID pays the Ethiopian Ministry of Education for each student above a baseline who takes a grade 10 examination and each student who passes it.

Program for Results (PforR): The World Bank has 24 operations underway of which 10 are approved. Disbursement is realized against achievements measured by Disbursement Linked Indicators (DLIs). Some of the disbursement (10-20 percent) can be received up front while annual tranches are spread over 5-6 years.

European Commission Millennium Development Goals (MDG) Contracts: The contracts have a variable component of up to 30 percent of the allocated funds linked to progress against indicators and comprising of two elements: MDG-based tranche (up to 15 percent) and annual performance tranche (up to 15 percent). At least 15 percent of the total commitment is used to reward performance against MDG-related outcome indicators following a mid-contract progress review. Performance is thereafter monitored annually, but financial adjustments are deferred to the second part of the program.

3. Examples of incentives mechanisms with ex ante and ex post elements

That is, allocation of funding and/or first disbursement is made based on **commitments** while further disbursements are determined by **outcomes**:

The Global Fund: Under the new Global Fund funding model, 15 percent of countries' allocation is dependent on whether or not a government meets its *willingness-to-pay commitments*. The minimum level and type of government commitments required to access the additional 15 percent of the allocated funding are agreed during country dialogue. When making its annual disbursement decision, the Global Fund reviews evidence of whether a country has met its minimum counterpart financing requirements and willingness-to-pay commitments. Funding from the Global Fund is adjusted downwards proportionately if a government fails to meet these requirements and commitments.

GAVI Immunisation Services Support (ISS): Initial investment is based on the number of children expected to be vaccinated in year 1. Subsequent reward payments of $20 are made per child vaccinated above this baseline.

GAVI Health System Strengthening (HSS): GAVI Alliance supports health system strengthening through a performance-based funding (PBF) approach that links funding to immunization outcomes. In the first year, countries can budget up to 100 percent of the annual country ceiling as an upfront investment. After the first year, countries can budget up to 80 percent of the annual country ceiling - this is the programmed budget against which payment will be made based on satisfactory progress in implementation and achievement of intermediate results. In addition, countries may earn additional payments as performance payments, which exceed the programmed payment and may also exceed the annual country ceiling.

The World Bank Health Results Innovation Trust Fund (HRITF). A progress report (2012) of the HRITF results based financing model shows promising results in improving access and quality of health services for women and children in low income countries. This portfolio includes 27 countries and according to the progress report has had a catalytic effect in the resources available for maternal and child health.

4. Lessons learned: assessments of results-based approaches

In order to develop an effective results-based approach for the Global Partnership, it is important to build on existing experiences and evaluations. Some key lessons learned in implementing results-based financing are summarized below. The risks highlighted below help inform the approaches adopted in the funding model, not by steering away from ex-post results-based financing but by seeking ways to manage some of the risks that have been identified through various other experiences.

Risk of increase in transaction costs: The Five Year Review of the Global Fund[8] reported that countries find the system "burdensome, rigid, and fixed exclusively on short-term outputs rather than on longer-term outcomes, results, and capacity building."

In Rwanda, a study found that the "validation of data is comprehensive and time consuming, illustrated by the example of a team consisting of five district health professionals using an average of five hours each per month just to validate data in one health centre".[9]

[8] Macro International, 2009. *The Five-Year Evaluation of the Global Fund. Synthesis of study areas 1, 2, and 3.*

[9] Olsen, 2009 as quoted in Pearson, 2011.

Risk of neglecting quality for quantity: The Global Fund evaluation team found that "basing the GFATM's Performance Based Funding system largely on numeric output targets created unintended negative consequences, especially in terms of the quality of service provision. Implementers in more than half the Study Area 2 countries reported that, on at least one occasion, they had sacrificed quality of implementation in order to achieve a quantitative numerical PBF output target[10]."

Need for credible data: The Five Year Review of the Global Fund found that the lack of credible statistics in countries represents a serious challenge to the Fund's performance-based financing. Performance assessments are very difficult in data-limited environments.[11]
GAVI's HSS 2009 Evaluation[12] also highlighted "the lack of robust data management systems at country level."

Challenge of capacity: Lack of country capacity was highlighted in the Global Fund Five Year Evaluation as a "critical barrier to compliance with PBF requirements and, more broadly, to effective implementation." Many grant implementers, including civil society organizations, reflected on their own "capacity limitations with respect to the scale of grants and the demands of the Global Fund's PBF requirements." Many countries failed to provide data either on GAVI HSS core outcome indicators or their own proposed additional indicators.

GAVI's evaluation also suggested weakness in monitoring and evaluation (M&E), lack of coordination at country level, and delays in review/disbursement.

Risks of Gaming: Even in Norway (ranking 11 in the Transparency International corruption perceptions index) there have been cases of systematic data fraud in the Diagnostic Related Group coding (used to fix the payment for specific services), in order to increase resources to hospitals[13].

5. Implications for the GPE funding model

On the basis of information available, the first important condition for successful ex-post arrangements is to adapt the mechanism to the capacity of the Developing Country Partner. Different kinds of ex-post arrangements require different levels of capacity, thus it is important to choose the ex-post arrangement on this basis. In countries where know-how or capacity

[10] Macro International, 2009. *The Five-Year Evaluation of the Global Fund. Synthesis of study areas 1, 2, and 3.*

[11] Macro International, 2009. *The Five-Year Evaluation of the Global Fund. Synthesis of study areas 1, 2, and 3.*

[12] *GAVI HSS Support Evaluation 2009: Key Findings and Recommendations.*

[13] Olsen, 2009 as quoted in Pearson, 2011.

remains the primary issue, the implementation of ex-post approaches requires specific arrangements adapted to the context.

Another important condition for successful ex-post arrangements is to have sufficient capacity within the Supervising Entity and the Local Education Group to identify, negotiate and formulate such arrangements. This capacity to negotiate is needed to develop trust with the Developing Country Partner in order to agree on targets that are finely balanced, being neither too challenging nor too easy to attain, and thus able to drive progress.

Finally, it seems apparent that ex-post arrangements tend to work better through strongly aligned modalities such as (general or sector) budget support. The reason for this is that country budgets may be able to cope with the uncertainty in disbursed resources, which national treasuries have to factor in on a regular basis (variability in income to Treasury). However, this supposes a certain level of capacity in country systems.

The above lessons learned must be taken into consideration as the Global Partnership for Education moves forward with its new funding model.

Section 5 of the Board paper on requirements and incentives seeks to account for these lessons learned by:

(1) Providing countries with two separate options that allow for adaptation to a range of contexts; and

(2) Approaching ex-post results-based disbursements in contexts that lack capacity and budget resilience as *project or program extensions*. If results are achieved with the first tranche of the funding, countries would have clearance for continuing the program for an additional year with additional funds.

6. Incorporating the Results-based financing for learning outcomes in the GPE funding model

The Secretariat presented the Country Grants and Performance (CGPG) Committee Meeting (April 2014) with a proposal to incorporate the work of the Results-Based Financing for Learning Outcomes (RBF for LO) Pilot (BOD/2012/11-09) into the new funding model.

The Secretariat prepared the RBF for LO operational guidelines and reported back to the CGPC on the operational guidelines of the RBF for LO Pilot in February of 2014. As the new funding

model includes an operational framework that incorporates results-based financing linked to sector progress, the guiding principles and a significant part of the operational guidelines of the RBF for LO operational guidelines are embedded in the new funding model.

Concept and Operational Guidelines Framework relevant for the new funding model

Results-Based Financing for Learning Outcomes links the provision of additional funds to learning outcomes and output indicators leading to increases in learning, including mastery of basic literacy and numeracy. The purpose of the pilot project is to provide performance incentives at various stages of program implementation to encourage increases in learning outcomes.

The basic RBF mechanism is straightforward and in line with the variable portion of the funding model of the Maximum Country Allocation (MCA): participating partner countries agree to achieve a set of measurable learning and/or proxy output targets tied to learning outcomes. If a country meets its targets it receives a financial payout, the variable portion, over and above the fixed portion of the MCA.

The RBF for LO was based on a set of strategic principles: increased focus on the effective and efficient delivery of inputs and outputs tied directly to learning outcomes for all students; increased focus on learning outcomes, and accountability for results; the principle of *complementarity* in the form of an addition of a payout, actions taken by the country to meet learning outcome targets that *complement and go beyond* other activities, and the principle of *minimal additional requirements*. Finally, the principle of *transparency* refers to the reinforcement of sound monitoring and assessment shared with all stakeholders.

The same principles are core to the Funding Model. The variable part of the grant ties additional funds to progress in improved learning outcomes. Accountability for results is preserved by using an ex-post approach for the variable part of the grant in all but exceptional contexts. The model ensures complementarity by promoting actions in equity, efficiency and learning outcomes that go beyond other activities, and transparency is promoted by embedding the model in existing LEG-based processes.

Prerequisites during the preparation phase. The GPE Secretariat, the Developing Country Partner and the Supervising or Managing Entity will work together during the preparation phase to avoid significant problems during implementation. To this end, the preparation phase must ensure that:

a. The RBF arrangement is adapted to capacity at country level. The strengthening of capacity could be addressed by the fixed portion of the grant.

b. There is a well-defined protocol for reporting and verification of all the information pertaining to results and outcomes.

The Secretariat will work to fully operationalize the RBF for LO as part of the variable portion of the Funding Model of the MCA, following the Board's approval of the Operational Framework.

ANNEX 4: SAMPLE SCENARIOS FOR IMPLEMENTATION OF GPE FUNDING MODEL

The two scenarios below illustrate how the funding model may be rolled out in two illustrative contexts. The two scenarios present situations that present particular challenges that some Developing Country Partners will be facing in adapting to the new funding model: (1) a non-fragile context where an Education Sector Plan (ESP) already exists and the country applies for GPE funding mid-way through its implementation, (with the intent of gradually adjusting the timing of its GPE applications to the country's medium-term planning cycle); and (2) in a fragile context implementing a current GPE grant based on a Transitional Education Sector Plan (TESP), where a full ESP is being prepared in preparation for a request for a new Program Implementation Grant.

A more standard context would be when a country follows through a straight-forward process of sector analysis and sector plan development and appraisal, followed by a request for a Program Implementation Grant that is aligned to the sector plan implementation period.

The new funding model will require engagement by the Secretariat at an earlier stage in the process than has previously been the case. The Secretariat is aware of the planning cycles of Developing Country Partners and will ensure that country level partners are well informed of the requirements and incentives upstream throughout the development or revisions of sector plans.

Scenario 1:

Country X - Non-fragile context with endorsed ESP being implemented

Country X is currently implementing its ESP, which covers the years 2013-2017. A sector analysis was carried out in 2012, as part of the ESP development process. Country X is eligible to apply for a US$ 100 million (MCA) Program Implementation Grant during the upcoming replenishment period; the fixed part is US$ 70 million and the variable part is US$ 30 million. Country X plans to apply for the grant in the second round of 2015, for implementation in 2016-2018. Thereafter, Country X will align future GPE applications (if eligible) to its medium-term planning cycle: the next sector plan will cover 2018-2022; the country would apply for a grant that covers the years 2019-2022.

Country X will do the following to ensure the requirements are fulfilled:

- Since the Sector Analysis will be outdated at the time of the application, it will be necessary to review basic sector data and sector performance to ensure that the application will be based on recent evidence of challenges and measures needed to address these. Country X

will therefore conduct a mid-term review of the implementation of its ESP in November-December 2014. The review will include an analysis of data and the identification of data gaps, as well as assessing whether ESP strategies are appropriately and effectively addressing challenges to ensure access to quality education for all.

- Based on the mid-term review of the ESP, Country X's LEG will agree on adjustments needed during the final implementation period of the ESP, and will integrate these in an ESP implementation plan that covers the years 2016-2017, thereby meeting the minimum requirement of an implementation plan that covers the first two years of the grant implementation period. Country X would move into the next ESP and multi-year implementation plan during implementation of the program. The last year of the GPE grant would correspond to the first year of the implementation plan.

- Country X currently spends 18 percent of its domestic resources on education. Efficiency in the education sector is low and the Ministry of Education is challenged to improve efficiency to give the Government confidence to increase the education budget. The mid-term review of the ESP also provides an opportunity to examine causes for inefficiency and develop strategies for improvement.

Country X will do the following to access the variable part of the grant:

- During the mid-term review, the GPE Appraisal Guidelines are used to perform **equity** screening. This reveals that one of the main obstacles to achieving universal primary education is limited education provision for children with disabilities. However, Country X lacks reliable data on children with disabilities and the factors that prevent schools from adapting to their needs. Country X therefore decides to pilot a disability data approach to feed into its 2017 sector analysis as the basis for an inclusive education strategy in the next ESP. The LEG agrees that this is likely to lead to significant improvements in education provision for children with disabilities in the medium term.

- **Efficiency** screening attributes low efficiency in large part to high repetition rates in the two last years of the primary cycle. Further analysis reveals that students in these grades lack the basic skills to succeed. A plan is developed to train teachers in remedial education for low-performing students and to provide remedial education during school breaks. In addition, a new monitoring system is adopted to ensure that schools provide the required number of school days each year, and a communication strategy around the negative

consequences of repetition is added. The LEG agrees that these combined strategies are likely to improve efficiency by reducing repetition rates.

- **Learning outcomes** evidence shows that children are not learning basic literacy skills in the early grades. A plan is adopted to train all first and second grade teachers in pedagogical methods to teach basic reading and writing skills and to provide each trained teacher with a 'literacy kit'. The LEG agrees that this is likely to strengthen learning outcomes in the early grades, and further contribute to lower repetition and dropout rates in the upper primary years.

Program preparation

- Country X has a multi-donor pooled fund for basic education, using government systems for implementation. The LEG agrees that this will be the most appropriate implementation arrangement for the GPE grant, and selects one of the pooled fund donors as the Supervising Entity. Since the GPE funds will not be earmarked for particular activities and the pooled fund provides flexibility in terms of the timing of disbursements from both the Global Partnership and other donors, it is agreed that the variable tranche will be integrated in a three-year program so that Country X can obtain the full US$ 100 million over a three-year period and align the next GPE grant with the remaining four years of the next five-year sector plan.

- The first phase of the Quality Assurance Review (QAR) takes place in January 2015. It includes a review of actions needed for Country X to fulfill the Requirements to access the fixed part of the MCA, and sets milestones for additional actions required before the grant submission deadline of September 1, 2015.

- QAR Phase I also includes a discussion of the three elements that will be the basis for applying for the variable part of the grant.

- Following QAR Phase I, the SE works with the MoE in consultation with the LEG to develop a three-year program.

- Based on the QAR Phase I discussions and in consultation with the LEG, the SE also works with the MoE to determine the indicators that will lead to the release of the variable part of the grant. It is determined that progress on the equity variable will be measured according to milestones for the implementation of the disability data strategy (process indicator). Progress on the efficiency variable will be measured by repetition rates (outcome indicator).

Progress on the learning outcomes strategy will be measured by the number of teachers trained in the new teaching methodology (output indicator).

- The program document prepared for the GPE outlines the pool-funded program as a whole, without earmarking of GPE resources. It includes a results framework for a three-year program.

- The mid-term review and its conclusions, including those related to the strategies for the variable tranche, along with the two-year implementation plan and the original ESP and endorsement documents, are submitted to the GPE Secretariat as background documentation to the program document.

- The CGPC reviews the following:

    - Have the requirements been fulfilled?

    - Are the strategies for the variable part of the grant appropriate and likely to lead to improvements in equity, efficiency and learning outcomes?

    - Is the program design, content, etc. sound?

- The program is approved. Implementation begins in January 2016 and is scheduled to end in January 2019.

Implementation and verification

- Joint Sector Reviews are organized in May every year to assess implementation of ESP as well as financing and progress on indicators including those agreed for the variable part of the grant. In May 2017, the LEG agrees that progress on the indicators for the variable part is satisfactory. The SE provides the GPE Secretariat with a notification that includes projected disbursements of the variable part of the grant over the remaining one and a half years of implementation. The funds will be released progressively based on continued verification of progress.

Scenario 2:

Country Y - Fragile context implementing transitional sector plan and GPE grant

Country Y is currently implementing a transitional education sector plan (TESP) and a GPE grant that includes a component to develop a full ESP. This grant will be closed in mid-2016.

The country is eligible to apply for a US$ 50 million (MCA) Program Implementation Grant in the upcoming Replenishment Period; the fixed part is US$ 35 million and the variable part is US$ 15 million. The country plans to apply for the grant in the first round of 2016 to ensure continuity between the two grants.

Country Y will do the following to ensure the requirements are fulfilled:

- Conduct a full sector analysis as a basis for the new ESP
- Identify and address critical data gaps and determine which gaps can be addressed during the planning period and which require improvements in EMIS and other forms of data collection in the longer term
- Complete the new ESP by December 2015, at least 3 months before the March 1, 2016 GPE submission deadline.
- Analyze the potential for and seek political commitment to increase domestic education spending by 1 percent annually over the next three years to increase from 17 percent in 2014 to 20 percent in 2017.

Country Y will do the following to access the variable part of the grant:

- During ESP development, **equity** screening reveals girls have low completion rates compared to boys in lower secondary school. A new strategy to improve girls' lower secondary completion rates is integrated in the ESP. The LEG agrees that this strategy is likely to improve gender equity.
- **Efficiency** screening attributes low efficiency in part to the fact that 30 percent of primary schools do not offer the full primary cycle, contributing to high dropout rates in 2nd and 3rd grade. A strategy is developed within the ESP to reduce the number of incomplete cycle primary schools by one third each year for three years, using GPE funds (from the fixed allocation) to cover the investment costs and the gradual increase in domestic funding to cover recurrent costs. The LEG agrees that this strategy is likely to improve efficiency by reducing early grade dropout rates.
- **Learning outcomes** evidence shows that children in the two poorest economic quintiles are not learning basic literacy skills in primary schools. A strategy is integrated in the ESP to increase deployment of trained teachers to disadvantaged schools and to

provide disadvantaged schools with school improvement grants. The LEG agrees that these strategies are likely to improve learning outcomes for disadvantaged children.

Program preparation

- The LEG agrees that the most appropriate implementation arrangement in the country is 'ring-fenced' support to the education sector budget through a special account, targeting funding for specific activities. An appropriate SE is selected on this basis, taking into consideration the agency's in-country capacity to work closely with the MoE to build capacity.

- QAR Phase I takes place in September 2015 and identifies remaining milestones to address during the program preparation period in order to fulfill the three requirements, including the finalization and endorsement of the new ESP.

- QAR Phase I also includes a discussion of the three elements that will be the basis for applying for the variable part of the grant. Considering the difficult context, the LEG agrees to adopt process indicators for all three variables.

- During QAR Phase I, the LEG decides that the most appropriate modality for the variable part of the grant is to assess progress on the indicators two years into the three-year program and, if progress is satisfactory, implement a fourth program year using the variable part of the grant. If eligible for another grant, Country Y plans to prepare an application for a new grant that will partially overlap with the fourth program year.

- Following QAR Phase I, the SE works with the MoE to develop a four-year program for US$ 35 million for the first three years and US$ 15 million for a fourth year that depends on satisfactory progress on agreed indicators for the variable part of the grant.

- A draft ESP is appraised in October 2015. The appraisal addresses the overall quality of the plan as well as the selected strategies for equity, efficiency and learning outcomes, specifically. The appraisal identifies key areas to strengthen and a timeline to do so is agreed. Some improvements will occur before endorsement; others during implementation. The latter will be monitored through Joint Sector Reviews

- The Plan is finalized and endorsed in December 2015

- The application is submitted in March 2016

- The CGPC reviews the following:
    - Have the requirements been fulfilled?
    - Are the strategies for the variable part of the grant appropriate and likely to lead to improvements in equity, efficiency and learning outcomes?
    - Is the program design, content, etc. sound?
- The Program is approved and implementation begins in September 2016
- Joint Sector Reviews are organized in September every year to assess implementation of ESP as well as financing and progress on indicators including those agreed for the variable part of the grant. In September 2018, the LEG agrees that the indicators for the variable part have progressed in a satisfactory manner. The SE agrees and provides a report to the GPE Secretariat.
- The Secretariat submits the report to the CGPC for its first meeting in 2019. The CGPC approves the release of the fourth year tranche of the grant.