INSTITUTIONAL ARRANGEMENTS

For Decision

Please note: Board papers are deliberative in nature and, in accordance with the GPE Transparency Policy, are not public documents until the Board has considered them at the Board meeting. It is understood that constituencies will circulate Board documents among their members prior to the Board meeting for consultation purposes.

1. STRATEGIC PURPOSE

1.1 The purpose of this paper is to respond to the Board's request from December 2017 in relation to GPE's institutional arrangements with the World Bank.

1.2 The Board are asked to consider the information outlined in this paper and to make a decision on the additional information and process required to enable the Board to make a decision by December 2018 on whether GPE should retain its current institutional arrangements with the World Bank or move to create a separate legal entity for GPE.

1.3 This paper contains the following annexes

1. Experience of Comparator Organizations
2. Alison Evans 2012 Hosting Review – Overview and Current Status
3. Hosting in practice and potential impact of Trust Fund Reforms
4. Issues to be addressed if GPE was to create a separate legal entity
5. Evolution of GPE
6. Role of the GPE Secretariat

1.4 Prior to finalization of this paper, it was shared with the World Bank, and incorporates the input received

2. EXECUTIVE SUMMARY

2.1 GPE's current institutional arrangements with the World Bank involves a number of roles. Firstly, the World Bank is the largest Grant Agent. Secondly, it acts as Trustee of the GPE Fund to facilitate donor contributions, invest the funds on GPE's behalf, and facilitates agreements with Grant Agents and transfers funds to them based on GPE decisions. Thirdly, it is a GPE Board member through the Multilateral Development Bank constituency. Finally, it also acts as the host of the GPE Secretariat,

meaning all GPE staff are legally employees of the World Bank. GPE does not have its own legal capacity separate from that of the World Bank

2.2 Over the past 18 months, the GPE Board has been considering whether there needs to be changes to GPE's current institutional arrangements to ensure GPE has the capability it needs to meet GPE 2020 objectives. At the same time, the World Bank is also reviewing how it engages with GPE and the other 28 Financial Intermediary Funds (FIFs) where the World Bank often plays either one (Trustee), two (Trustee and Grant Agent), or three roles as in the case of GPE (Grant Agent, Trustee, Host to a Secretariat)

2.3 GPE has significantly benefitted since inception from a very productive and collaborative relationship with the World Bank as Trustee, Grant Agent, and as administrative host to the Secretariat. Over the past number of years, GPE has significantly evolved (See Annex 5) both in terms of its governance, operational model, the role of the Secretariat (See Annex 6), the number of developing country partners, the volume of disbursements, and range of implementing partners (Grant Agents) through which funds are allocated. The World Bank has been very responsive and helpful in supporting GPE to facilitate these changes.

2.4 Since 2015, GPE has adopted an ambitions strategic plan "GPE2020" and Results Framework. It has developed a Financing and Funding Framework (FFF) that matches that ambition and has completed a highly visible and successful financing conference securing a significant increase in donor pledges compared to the previous three-year period which will result in a significant increase in the volume of grant disbursements over the coming years.

2.5 Further changes in the education architecture are also possible with work underway on the proposed International Finance Facility for Education (IFFEd), and GPE will need to continue to work with the Education Commission on how to best ensure complementarity. GPE is also actively involved in the governance of Education Cannot Wait (ECW) and is working closely with the ECW Secretariat in countries where both GPE and ECW are providing funding. The High Level Steering Group of ECW has recently recommended the interim hosting arrangements for the ECW Secretariat at UNICEF continue through the end of its current strategic plan in 2021. However, hosting will be considered again before then. For the next hosting review, it will be important to have sufficient clarity on GPE's future institutional arrangements, with uncertainty on potential changes to the hosting relationship, and the outcome of the World Bank's own trust fund reform process heavily cited by the external consultants that conducted the ECW hosting review.

2.6 In December 2017, the Board asked the GPE Secretariat in consultation with the World Bank to examine the options and implications of potential changes to GPE's institutional arrangements. The expectation was that this analysis would include looking at the possibility of creating a separate legal entity for GPE and take into consideration the implications of the outcome of the GPE financing conference, potential future human resource requirements for GPE Secretariat, the ongoing World Bank Trust Fund reform process, progress on currency hedging solutions, the latest information on ECW hosting, and the ongoing work on effective and efficient partnerships.

2.7 There are essentially two options under consideration

- Option 1 – GPE Secretariat remains hosted by the World Bank and clarity is obtained on the parameters of that relationship
- Option 2 – GPE creates its own legal entity which is likely to involve de-hosting the Secretariat from the World Bank. A variant of this approach could involve keeping the Secretariat or parts of it hosted while still establishing a separate entity.

Under both options, it is not expected that the role of the World Bank as a Grant Agent or as the Trustee of the GPE Fund would change apart from administrative and contractual adjustments.

2.8 This paper attempts to set out some of the key additional operational capabilities that the GPE Secretariat thinks that GPE needs or may need in the future to meet the ambition of GPE2020 and for its future direction beyond 2020, and outlines the potential implications under both options. It is important to note that the existing capabilities that GPE has within current institutional arrangements with the World Bank are significant and the paper does not focus on them as no changes are required, but rather focuses on the capabilities that the GPE Secretariat believes are not in place. The most salient capability that may be challenging to achieve under the existing hosting relationship is:

- Full and unambiguous decision-making power for the GPE Board about how to deploy GPE's financial resources.

2.9 The World Bank notes that as the host institution, it administratively oversees an in-house Secretariat and needs to fulfil its responsibility for making sure that the Secretariat adheres to the World Bank's policies and procedures, including its strategic staffing and budget processes, as long as it sits within the World Bank. The GPE Charter also recognizes that "employment conditions for the Secretariat will be determined in line with human resource policies and procedures of the organization in which the Secretariat is based" (paragraph 4.4.2).

2.10 There are some key additional operational capabilities that the GPE Secretariat thinks GPE may need in the future. These capabilities are not necessarily directly related to the question of hosting, but they are rather related to the trustee function that the World Bank plays, and if any of these capabilities are truly required but cannot be achieved under the current arrangements, GPE would need to consider alternative options which could impact on legal status, hosting, and the role of the Trustee.

These capabilities include:

- Ability to vary GPE's country model in terms of delivery of finance (e.g. direct funding to government, CSOs etc., and linked to potential future ECW hosting)
- Ability to protect the value of donor pledges against adverse currency exchange movements
- Ability to vary GPE's fund-raising model in terms of receipt of funds from different types of entities and ability to deploy funds in the most effective manner

2.11 The World Bank notes that regarding direct funding to government, CSO, etc. (Direct Access), alternative mechanisms to oversee financial transactions and audit/inspection functions to handle any misuse of funds would be required. These functions are currently provided by Grant Agents, and regardless of whether GPE becomes a legal entity or not, these functions would have to be provided by someone other than Grant Agents (e.g., GPE, outsourced firms, etc.). This may be a question for GPE

Contributors of whether they are willing to accept increased financial risks and GPE's increased reputational risks by providing funds directly to government, CSOs, etc. rather than channelling funds through Grant Agents which have robust fiduciary capacity and financial management mechanisms in place.

2.12 The World Bank is not supportive of Direct Access for the following reasons:

(1) financial and reputational risks for the World Bank as Trustee related to Direct Access are likely to be significant;
(2) Direct Access will essentially means shifting the functions of existing Grant Agents to others, which would be costly to develop alternative fiduciary mechanisms;
(3) Grant Agents also provide additional value through extensive implementation support, including overseeing environmental and social safeguards management, technical assistance, stronger levers to ensure that GPE resources are used for their intended purposes, e.g., application of contractual remedies, sanctions, etc. It is unclear whether major audit firms can also provide the foregoing services; and;
(4) it is rather possible to achieve the objectives with the current Grant Agent model, as the existing GPE Grant Agents can transfer funds to government and local NGOs and supervise the use of funds. This is also better aligned to the mandate of GPE.

2.13 Regarding currency hedging ability, the World Bank notes that in real terms, the key modification required to the Contribution Agreement to facilitate this is to omit the Contributor's ability to cancel contributions unilaterally. The aim is to reduce uncertainty that the contribution would be made, and thereby, facilitate currency hedging transactions by the Trustee. The proposed modified contribution agreements will be circulated to each GPE contributor to allow them to review and determine if it would be acceptable to them or not. It is also noted that the Governing Council of Global Environment Facility (GEF), which consists of a number of the same donor governments as those of the GPE Board, has decided not to pursue the hedging option given the recent appreciation of Euro against US dollar.

2.14 The World Bank further notes regarding the ability to vary GPE's fund-raising model in terms of receipt of funds and ability to deploy funds in the most effective manner, that it will continue to explore any viable options as needed. Meanwhile, the GPE Board will need to determine whether these additional operational capabilities related to trustee functions are indispensable for GPE to achieve its goals.

2.15 The paper also makes reference to the Alison Evans' hosting review of 2012 where the GPE Board considered whether to terminate the hosting relationship with the World Bank. The Board ultimately decided at that time to seek to establish a "status quo plus" arrangement to clarify and address challenges in the hosting relationship but to revisit the option of becoming an independent organization if the arrangements were not meeting GPE's needs. While many of the issues raised in the 2012 hosting review were subsequently addressed, several of them relating to the dual accountability[1] of the

[1] Evans report referenced that *"Dual accountability – 'serving two masters' – hampers Secretariat decision-making authority & intellectual/operational independence"*

Secretariat to the GPE Board and the World Bank remain outstanding (See Annex 2 for further information on the Alison Evans' recommendations and current status)

2.16 In annexes to the paper, further detailed considerations are set out on the practical aspects of the hosting relationship, including potential changes that may arise through the World Bank's Trust Fund reform process. It should be noted that the Trust Fund reform process is ongoing and has not been considered yet by the World Bank Board (See Annex 3).

2.17 In Annex 4, further details are provided on the considerations that would need to be examined if the GPE Board decided to create a separate legal entity for GPE and ended the Secretariat hosting relationship. This analysis includes looking at governance and legal options for a new entity, systems and policies that would need to be developed, transition arrangements, and cost implications (including potential areas of efficiency gains)

2.18 Annex 1 provides additional information on the experience of comparator organizations in health and climate that have various forms of institutional arrangements with the World Bank and/or have undergone experiences of either changing their hosting relationships or establishing a new legal entity for a large global fund and partnership.

2.19 Overall, there are significant benefits to GPE's current institutional arrangements with the World Bank but there are also natural limitations in terms of the flexibility that GPE may need or want given the lack of separate legal capacity and the current hosting arrangements under which World Bank administratively oversees the in-house Secretariat. Creating a separate legal entity and separating the Secretariat so that it is solely accountable to the Board may address the limitations in flexibility and the challenges which stem from the hosting arrangements, however it would mean foregoing the benefits provided through the hosting relationship, and would require a financial and human resource investment, along with an elevated risk of disruption and staff turnover during any transition period.

2.20 The GPE Board will need to carefully consider both options along with the process and additional information that it will need to be able to make an informed decision by the end of 2018.

3. BOARD DECISION

3.1 Based on the Board's deliberations, the Board is asked to consider the following decision:

BOD/2018/06/XX <u>Institutional Arrangements</u>: The Board of Directors:

1. Expresses its appreciation to the World Bank for the role it has and continues to play as Trustee, Grant Agent, and administrative host to the Secretariat during a period of significant growth and change for GPE.

2. Recognizes that GPE's current institutional arrangements must be considered in the context of ensuring GPE has the operational capability it needs to meet the ambition of GPE2020 and beyond. Therefore, with a view to making a decision by December 2018 requests:

a) The Secretariat and the World Bank to continue to explore potential solutions that would give GPE the operational capability outlined in BOD/2018/06/12 within the current hosting relationship or through a modified relationship that does not involve full de-hosting of the GPE Secretariat and to come to conclusion on the feasibility of these capabilities by the time of the GPE Board's November 2018 retreat.

b) The Board Chair with administrative support from the Secretariat to identify and retain the services of a suitably qualified expert and for that expert to provide an independent report and recommendation to the Board on a decision to either retain the current institutional arrangements or to establish a separate legal personality for GPE, and to transition the Secretariat's hosting relationship with the World Bank to one that is directly accountable to the GPE Board.

c) The Secretariat to contract a suitably qualified external firm(s) to develop and submit a detailed assessment of required actions and costs for the Board's consideration in the event that the Board takes a decision to establish a separate legal entity.

4. BACKGROUND

4.1 Since its creation, GPE has benefitted enormously from the World Bank's support and collaboration as Trustee, Grant Agent, and administrative host to the Secretariat. The World Bank has shown significant flexibility to accommodate the changing needs of GPE which has been highly appreciated.

4.2 In December 2017, the Secretariat delivered a paper on GPE's institutional arrangements (BOD/2017/12/20) focused on 1) whether currency hedging and direct access (transfer of funds directly to governments and non-traditional entities) was possible under current arrangements, 2) mapping out the roles of the World Bank as Trustee, Grant Agent, and Administrative host to the GPE Secretariat, and 3). Providing information on the institutional arrangements of other sectoral funds.

4.3 The Board discussion of that paper was also in the context of an upcoming replenishment conference, an ongoing process to determine potential hosting of Education Cannot Wait, a strong call to accelerate work on the effective and efficient partnership review, the commencement of the World Bank's own Trust Fund reform process, and an examination of a HR Plan that set out a number of areas for efficiency gains along with potential GPE staffing increases that may be required under a high replenishment scenario.

4.4 The Board of Directors requested the Secretariat in consultation with the World Bank to explore the options and implications of changes to GPE's institutional arrangements. The expectation of the Board as expressed during the discussion was that this would include an examination of creation of a separate legal entity for GPE, and would revisit the 2012 Alison Evans' hosting review. It was further recognized by the Board that with the ongoing Trust Fund Reform Process commencing in the World Bank that full clarity may not be known by June 2018 but that the Secretariat should make as much progress as possible

4.5 Since the Board meeting, the Secretariat and World Bank have been working very collaboratively sharing information on the Trust Fund reform process and engaging in a dialogue on a number of aspects of GPE's hosting relationship that required greater clarity. At the same time, the Secretariat has been exploring the options and implications at a high level of creating a separate legal personality for GPE which was likely to include transitioning the GPE Secretariat from the World Bank due to the limited likelihood of GPE staff as World Bank employees serving as officers of a separate entity. GPE Secretariat staff have been kept updated on progress, as has the Coordinating Committee, Finance and Risk Committee, and Governance and Ethics Committee.

4.6 During this time a number of important and related issues to this topic have advanced.

- The GPE financing conference was highly successful with financial pledges from donors made at the event and expected in the coming months to result in a near doubling of contributions made over the preceding three years.
- The High Level Steering Group of ECW has decided based on the findings of an external report not to appoint a permanent host for ECW but instead to extend the interim hosting arrangements for the ECW Secretariat to the end of 2021 with a plan to revisit the issue of hosting in 2020. The ongoing Trust Fund reform process and its potential implications on hosting, along with uncertainty over the future of GPE's institutional arrangements with the World Bank were cited heavily in the report.
- The effective and efficient partnership review has been completed. Depending on the next steps regarding recommendations to address the findings of this report or further analysis required, there may be issues impacting institutional arrangements and GPE's HR plan that would need to be examined in the coming months.
- The preliminary findings through the World Bank's Trust Fund reform process include the need for the World Bank to take a more corporate perspective to its engagement with Financial Intermediary Funds including the need to strengthen policies and procedures, however the process is not yet completed.
- A governance issues has emerged with the World Bank as it outlined to the Board in December not authorizing a decision of the GPE Board with respect to its approval of a small number of additional Secretariat positions pending its consideration of the justification for this in light of the effective and efficient partnerships review.
- Considerable progress has been made by the World Bank on an approach to currency hedging, however it is unlikely to be feasible for GPE as the World Bank are requesting that all GPE donors be willing to sign legally binding contribution agreements which many donors are unlikely to do and have informed the Secretariat as such. The World Bank notes that the key modification to the Contribution Agreement is to omit the Contributor's ability to cancel contributions unilaterally. The aim is to reduce uncertainty that the contribution would make, and thereby, facilitating currency hedging transactions by the Trustee.

4.7 In order to deliver on the Board's request, the Secretariat has focused on two key options

  - Option 1 – GPE Secretariat remains hosted by the World Bank and clarity is obtained on the parameters of that relationship

- Option 2 – GPE creates its own legal entity which is likely to involve de-hosting the Secretariat from the World Bank. A variant of this approach could involve keeping the Secretariat or parts of it hosted while still establishing a separate entity.

4.8 It should be noted that under both options, the role of the World Bank as Trustee, and as a Grant Agent would not need to change, however the relationship between the GPE Secretariat and the World Bank could be significantly different especially under option 2.

4.9 Under option 2, it is possible that a legal entity for GPE could be created while the Secretariat or at least part of it remained hosted by the World Bank. However, there are clearly challenges in contemplating a legal situation where Secretariat staff, while World Bank employees, also serve as officers of a separate entity.

4.10 Other organizations have sought differentiated approaches to how they're structured to fulfill their mandates and further information is outlined in Annex 1. The table on the next page illustrates some comparators from other sectors.

Partnership	World Bank as Trustee	Separate Legal Entity	Secretariat	FX Hedging	World Bank as Grant Agent	Direct Disbursement to DCP Governments and/or Local NGOs	Staff Size (approx.)	Annual Disbursements
Global Fund to Fight AIDS, TB, and Malaria	Yes	Yes	Independent (formerly hosted by WHO)	Yes	Yes	Yes	700	$3-4 billion (approx. 40-50% health products)
GAVI	No (but, IFFIm (UK Charity) - Yes)	Yes	Independent (formerly hosted by UNICEF)	Yes	No	Yes	300	$1.4 billion (approx. 70% health products)
Global Environment Facility	Yes	No	Hosted	No (Decided not to explore)	Yes	No	75	$1 billion per year
Green Climate Fund	Yes	Yes	Independent	No	Yes	Yes, but entity must be accredited	150 (rising to 200 in 2018)	$150m in 2017 with annual target of $900m in 2018
CGIAR	Yes	Yes	Independent (System Organization) (Formally	No	No	Yes	35	$610m in FY16 $511m in FY17

			hosted by World Bank)					
GPE	**Yes**	**No**	**Hosted**	**No (but exploring)**	**Yes**	**No**	**108**	**$500m rising to $750-$800m by 2020**

4.11 The next section sets out the operational capabilities that GPE may need to deliver on the ambition of GPE 2020 and beyond, and how these are impacted under both options. It is important to note that this paper doesn't cover in detail the capabilities that GPE already has under existing arrangements and the focus of this paper is on the additional capabilities that may be needed and are not in place or challenging to achieve under existing arrangements

5. OPERATIONAL CAPABILITIES

5.1 The table below sets out four areas of operational capability that the GPE Secretariat believes that GPE needs or may need to develop to deliver on the ambition of GPE2020 and beyond and how these capabilities may be impacted under both options. It should be noted that with respect to Option 1 – the information provided is based on latest discussions with the World Bank as the Trust Fund Reform process is ongoing and may change.

Hosting arrangement related issue:

Capability	Explanation	Option 1 – Remain Hosted	Option 2 – GPE Legal Entity
Full and unambiguous decision-making power for the GPE Board about how to deploy GPE's financial resources	GPE Secretariat staff are employees of the World Bank and must respect World Bank policies and procedures. The GPE Charter also recognizes that "employment conditions for the Secretariat will be determined in line with human resource policies and procedures of the organization in which the Secretariat is based" (paragraph 4.4.2). In addition, GPE does not have its own legal personality, therefore decisions passed by the GPE Board that must be actioned by the World Bank (e.g. staffing issues, budget) must also have its agreement. The World Bank notes that as the host institution, it needs to fulfil its responsibility for making sure that the Secretariat adheres to the World Bank's policies and procedures, including strategic staffing and budget processes, as long as it sits within the World Bank. There is no hosting agreement of MoU in place that provides greater clarity on how this should work. While this relationship tends to work well in practice, there are circumstances when decisions of the GPE Board may not be facilitated if the World Bank does not also agree (e.g. A Board decision on headcount not	**Possible but challenging based on latest advice** From a legal standpoint, as GPE employees are World Bank employees, they owe their primary duty of responsibility to the World Bank. The World Bank plans to introduce improved guidance in relation to financial intermediary funds that may provide better clarity on best practice that could serve as a useful framework to guide the relationship. A previous recommendation arising from the Alison Evans' 2012 hosting review to agree an MoU between GPE and World Bank to provide greater clarity on hosting arrangements, including outlining that the GPE Secretariat meets its obligations to the World Bank by fulfilling the	**Possible** In practice this would mean the majority of GPE employees including the CEO would need to be employed directly on GPE contracts to allow them to be solely accountable to the GPE Board. A change in the GPE Fund governance documents would also be required to allow the Trustee to transfer funds for operating costs as approved by the Board directly to a GPE commercial Bank account. Significant back office services currently provided by the World Bank would need to be established to successfully administer an independent GPE and ensure appropriate HR management of staff, and proper internal controls governing the

	approved by World Bank), or there may be additional process steps involved to allow the World Bank input on Committee/Board documents prior to submission. The Board will need to determine whether the current hosting arrangement meets its expectations or if it believes that its decisions need to be fully executed and that the Secretariat should be solely accountable to the Board (Further information is included in Annex 3)	duties of it as set out in the GPE Charter. An MOU was prepared but the GERF recommended that this not be signed for a number of reasons outlined in Annex 2	use of funds. (Further information is included in Annex 4)

Trustee function related issues

Capability	Explanation	Option 1 – Remain Hosted and explore options with Trustee	Option 2 – GPE Legal Entity with World Bank continuing to provide trustee services
Ability to vary GPE's country model in terms of delivery of finance	At present, GPE can only transfer funds to accredited multilateral, bilateral, or international NGOs. It does not have the ability to transfer funds directly from the GPE Fund to government and non-traditional entities (e.g. NGOs) This capability if needed would not replace the Grant Agent model given desire to promote co-financing, and given the volume of the portfolio in high risk contexts. However, there may be some circumstances where it could be necessary and beneficial **Education Cannot Wait** – If GPE was to be the long-term host post 2021 it would need this capability which ECW currently has, despite a much smaller Secretariat, to transfer funds directly to accredited local	**Unlikely based on current information (see below)** The World Bank as Trustee has no supervisory relationship over the Grant Agents and does not assume fiduciary responsibility for funds transferred. Since GPE is not a legal entity, however, any misuse or ineffective use of funds by these Grant Agents can result in negative impact to the World Bank's reputation.	**Possible** Requires an updated accreditation policy (e.g. UNICEF's Harmonized Approach to Cash Transfers (HACT)) Sufficient in-house or outsourced capacity for financial and programmatic oversight that's no longer provided by a Grant Agent Internal Audit/Inspector General Function Required for independent assurance and to

Capability	Explanation	Option 1 – Remain Hosted and explore options with Trustee	Option 2 – GPE Legal Entity with World Bank continuing to provide trustee services
	NGOs. It is noted that GPE does not have legal personality and is itself hosted by the World Bank. Therefore, GPE hosting ECW means essentially the World Bank hosting ECW. **Developing Country Partners** – In lower risk contexts (i.e. small grants or well-functioning pooled funds with adequate public financial management systems), there may be opportunities for greater use of country systems, cost savings, efficiency gains, and capacity building benefits of transferring funds directly to Ministries and putting in place alternative oversight mechanisms (i.e. outsourcing programmatic and financial verification to major audit firms). This may be a question for GPE Contributors of whether they would like to accept the increased financial risks by providing funds to DCP directly rather than channelling funds through Grant Agents. **KIX/ASA** – There may be a need in future to consider more direct contracting with non-traditional organizations	The World Bank makes clear that, as risks for the World Bank as Trustee related to direct access are likely to be significant, the World Bank is not supportive of this approach. It is noted that the existing GPE Grant Agents (multilateral, bilateral, or international NGOs) can transfer funds to government and local NGOs and supervise the use of funds. The World Bank's position is that it is possible to achieve the objectives with the current Grant Agent model while GPE can rely on the existing Grant Agents' fiduciary and financial management capacity.	deal with any misuse of funds allegations / investigations GPE would negotiate and sign grant agreements directly with local NGOs/Government recipients GPE's reputational risk would be increased especially if there was a major misuse case that was not appropriately managed by the Secretariat.
Ability to protect the value of	At present, GPE is exposed to differences in exchange rates between the time a donor makes a pledge in a currency other than the US dollar and when the	**Possible (Subject to Donors)**	**Possible**

Capability	Explanation	Option 1 – Remain Hosted and explore options with Trustee	Option 2 – GPE Legal Entity with World Bank continuing to provide trustee services
donor pledges against adverse currency exchange movement	contribution is actually paid and converted to US dollars. For example – if a donor pledges to pay in 12 months' time, 100 million euros when the rate is 1 euro = 1.25 dollars, then GPE would expect to receive 125 million dollars. However, if the exchange rate moves to 1 euro = 1.20 dollars by the time payment of the 100 million euros is made, then GPE would only receive 120 million dollars which is 5 million less. Currency hedging is a way to mitigate this risk by entering into a contract to fix the exchange rate now so that there is predictability of how many dollars will be received when the payment is eventually made. During the 2014-2017 period, GPE was adversely impacted by strong appreciation of the US dollar resulting in a close to US$400m reduction in the value of donor contributions when expressed in US dollars. As a result, a considerable number of GPE countries had reduced or zero allocations Currently GPE's FX exposure equates to a loss or gain of approximately US$20 million for every 1 percent appreciation (loss) or depreciation (gain) in the US dollar	World Bank has proposed a potential solution for GPE that would be very beneficial. However, this would require that **all GPE Contributors agree to sign modified contribution agreements that omit the ability for Contributors to unilaterally cancel contributions**. This requirement is unlikely to be met as several donors have already informed the Secretariat that they're unable or unwilling to provide such agreements. As agreed with the FRC, all donors will have an opportunity to review the proposed modifications to the contribution agreement to determine if they're acceptable or not.	GPE Board would need to approve a currency hedging policy to grant authority for the Secretariat to open commercial bank accounts that would be additional to the GPE Fund to facilitate liquidity management and to work through commercial banks to enter into forward rate contracts (same approach as Global Fund/GAVI). GPE would need to have in-house expertise or outsourced support to advise on treasury management and this would require additional investment

Capability	Explanation	Option 1 – Remain Hosted and explore options with Trustee	Option 2 – GPE Legal Entity with World Bank continuing to provide trustee services
Ability to vary GPE's fund-raising model in terms of receipt of funds from different types of entities and ability to deploy funds in the most effective manner	As GPE does not have its own legal capacity separate from the World Bank, it is the World Bank that must sign all legal agreements on its behalf. These agreements are standardized to facilitate donor contributions, and to govern the use of funds by Grant Agents through standard financial procedures agreements. There is no ability to tailor these agreements for the receipts or use of funds in non-standard situations **Contributions from High Net Worth Individuals (HNWI)/Public –** In future, GPE may wish to consider a resource mobilization approach that encourages contributions from HNWIs or public fundraising campaigns. At present direct receipt of such funds is challenging and expensive due to due diligence requirements (GPE has returned several small unsolicited contributions from the public) **Fundraising from Private Sector/Foundations –** In the context of raising greater resources for GPE, limitations on the ability to customize agreements particularly when engaging with private sector or foundations on targeted initiatives such as KIX can be an impediment to finalizing negotiations on contributions as many of these organizations have requirements to their own governing bodies that can't be fully satisfied in not covered in the agreement. This	**Likely Possible** The World Bank is currently exploring the options for receiving funds from High Net Worth Individuals (NHWI). While there has been a subsidiary created under the IFC, the operational details have created complexity and it is unlikely that similar arrangements would be possible for GPE Given GPE staff are World Bank employees, a more feasible approach to have legal personality while having the Secretariat remain in the World Bank would be for an organization to be incorporated separately possibly under the GPE Board. However, Secretariat staff while World Bank employees are unlikely to be able to serve as	**Possible** GPE having its own legal personality would provide the ability under authority from the Board to contract directly, open bank accounts, create subsidiaries if needed to facilitate a wide range of potential commercial needs. GPE would need its own legal function. While unlikely based on current information, a solution that allowed the GPE Secretariat to remain hosted while having the flexibility of a separate legal entity could provide the operational flexibility GPE needs on a range of topics without the risks of significant disruption involved in a de-hosting situation.

Capability	Explanation	Option 1 – Remain Hosted and explore options with Trustee	Option 2 – GPE Legal Entity with World Bank continuing to provide trustee services
	limitation is due to the nature of the GPE Fund as a pooled fund where no separate financial accounting and reporting is done for individual Contributors and their contributions. **Innovative Finance –** In the event, GPE wants to move into more innovative forms of finance such as impact bonds (potentially as an outcomes funder), it may need the flexibility to customize agreements with investors that govern indicators, verification methods, and agreements on outcome payments, and settlement of disputes.	officers so these functions would need to be managed by separately recruited staff on GPE contracts.	

6. PROS AND CONS OF BOTH OPTIONS

6.1 The table below sets out a range of pros and cons of both options. This is not intended to be an exhaustive list but was a suggestion to include from a joint session of the Finance and Risk Committee, and Governance and Ethics Committee.

Option 1 – Remain Hosted	Option 2 – GPE as a Legal Entity
PROS	**PROS**
• Access to significant administrative support services such as HR, IT, Legal, Accounting, Travel, Security, Facilities, Internal Justice • Attractive compensation and benefits policies which helps recruit and retain a diverse pool of international staff • Ability to utilize support services and facilities of World Bank offices globally and locate staff there (e.g. hold meetings in World Bank offices, support for mission travel, GPE staff also located in Brussels and Paris World Bank offices) • Access for staff to World Bank knowledge and learning services • Ability to benefit from significant World Bank investment in new systems and technology • Ability for Secretariat and World Bank education staff to maintain a close working relationship	• Ability to enter into legal agreements and customize them to meet GPE needs for both receipt and delivery of funds. • Ability to work directly with commercial banks to facilitate currency hedging • Ability to utilize a wide range of implementing modalities • Ability to customize policies to meet GPE's need • Secretariat solely accountable to GPE Board removing World Bank's administrative oversight challenges • Removes perception of conflict of interest with World Bank. • Potential for long term savings depending on location, incentives provided by country of HQ, mix of local to international hires, and compensation & benefits policies. (see cons as the opposite could also occur)
CONS	**CONS**
• Must work within parameters of World Bank as host including any limitations on operational capability (i.e., adherence to the World Bank's policies and procedures, including staffing and budgeting) • The current hosting arrangements requiring World Bank agreement to facilitate certain GPE Board decisions or Vice-President approval required for certain administrative actions • Perceived conflicts of interest/visibility concerns with Secretariat as World Bank employees, World Bank as Trustee, and main Grant Agent. • Limited ability to customize policy to meet GPE specific needs (e.g. procurement, HR, legal agreements) • Subject to hosts compensation and benefits policy including cost recovery (e.g. increase of cost recovery on non-staff costs from 50% to 70%) • Subject to changing policies/directives of host (e.g. limitations on costs/staff growth) • Competition for back office services (e.g. ability to get services from IT) • Restrictions on GPE mission travel to fragile and conflict affected states if too many World Bank staff in-country at times	• Disruption during transition phase as significant management time spent on moving to new arrangements combined with relocation of staff • Risk of high staff turnover during transition phase (at least 20% estimated in a best-case scenario over a 2-3 year period) • Need for investment/transition costs during transition phase (US$9-12m estimated) • Potentially higher recurrent costs on an ongoing basis to replace back office services (see Pros as potential for savings) • Loss of privileges and immunities outside of the country of headquarters or any additional countries that provide same. • Loss of World Bank support network through its country offices • Loss of access to internal World Bank knowledge and learning services for Secretariat staff. • Likely to have reduced attractiveness as a potential employer compared to World Bank

7. RISKS AND RESOURCE IMPLICATIONS

7.1 The Finance and Risk Committee have recommended that the risk on institutional arrangements in the risk matrix be elevated to "Critical" given the importance of the issues at stake and the impact that continued uncertainty on GPE's future hosting relationship is having on staff and planning.

7.2 Secretariat staff are understandably anxious to obtain clarity as soon as possible for their own future career and so that they can make choices that impact their families (housing, schooling etc.). The longer the period of uncertainty goes on the more GPE risks challenges with staff retention, recruitment of staff for any vacant positions, and loss of productivity.

7.3 If option 2 is selected and results in de-hosting, then a sufficiently lengthy transition period is desirable based on the experience of other organizations that have gone through this process. This would help to mitigate the risk of sudden staff departures, and to provide the best possible arrangements to select a host country, negotiate a HQ agreement, develop the key policies and systems, update donor contribution agreements (including completing any donor due diligence requirements as a result of change in legal status), and negotiate the transition arrangements for Secretariat staff and with the World Bank (See Annex 4). It would also be critically important for the Board to make a commitment that existing staff to the extent practicable would have comparable terms and conditions of employment if transitioning from a World Bank contract to a GPE contract.

7.4 It is critical that decisions are made in 2018 on GPE's future institutional arrangements. If a decision is taken to create a separate legal entity and transition the Secretariat to that entity, then it will take at least 18 months to go through the necessary steps involved so that the entity is operational (mid-2020 if a decision is taken in December 2018). Given GPE will be developing a new strategic plan for 2020 and launching its next replenishment campaign, having clarity on the legal and operational status of GPE going into that campaign is imperative.

7.5 In addition, should GPE wish to be considered as the long-term host of ECW when that decision is revisited again (tentatively projected to be in 2020), it will need to have clarity on its own institutional arrangements and the capabilities that can be provided to accommodate ECW needs. It is noted that GPE currently does not have legal personality and hence cannot host ECW. GPE is itself hosted by the World Bank. Therefore, GPE hosting ECW essentially means the World Bank hosting ECW on behalf of GPE unless GPE obtains legal personality.

7.6 In terms of cost implications, if the GPE Board wish to seriously consider Option 2 as a potentially viable route in December 2018, then to provide the best possible information to make an informed decision and to prepare the groundwork for a smooth transition period over 2019/2020 it's recommended to invest approximately US$350,000 in two areas that would need to be added to the FY19 budget request:

- Hire an independent expert reporting directly to the Board Chair to provide an objective report and recommendation to the Board on the options under consideration (e.g. Similar to 2012 Alison Evans' report)

- Mandate the Secretariat to contract a suitably qualified external firm(s) to develop an analysis of required actions and costs for Option 2

7.8 The cost implications of a decision to pursue option 2 in December are preliminary estimates set out in Annex 4 part IV and could be in the order of US$9-12 million in one-time investment/transition costs over a 2-3-year period, with another US$4-5 million in staff and firm support on a recurrent basis once the entity is established to replace the back-office services provided by the World Bank. While this is a significant dollar investment, the additional recurrent costs are likely to represent just 0.5% of total annual GPE expenditure (operating costs plus grants) meaning that the costs could be absorbed while keeping GPE within the 5-7% range of operating expenses to total expenditure.

7.9 As outlined in Annex 4 part IV, the costs could be substantially reduced or potential savings generated in the long term depending on any financial incentives offered by the country that wished the HQ to be located there, the location itself in terms of travel connections to DCP/Donor countries, the mix of local to international hires, and the choice of compensation and benefits policies for an independent GPE. There may also be more intangible savings linked to the decision if it results in having the flexibility to mitigate currency exchange risk, or improving prospects to attract contribution from the public and HNWIs.

8. NEXT STEPS

8.1 The next steps will be guided by the Board's deliberations and decisions in June. However, the Secretariat will continue to engage with the World Bank on Option 1 with a view to obtaining as much of the operational capability that GPE may need within current institutional arrangement parameters or through a modified relationship that may not involve full de-hosting.

8.2 In relation to option 2 if the Board determines, the Secretariat will seek to support the Chair to retain the services of an independent expert to provide an independent recommendation to the Board on the two options along the lines of the 2012 Alison Evans hosting review

8.3 The Secretariat if requested by the Board will engage an external firm(s) to develop a detailed assessment of required actions and costs to inform the Board's consideration of Option 2.

8.4 Any workstreams arising from the Board's deliberations on the effective and efficient partnerships review that impact GPE's institutional arrangements will be considered as part of the analysis for November 2018

8.5 The Board will meet in retreat mode in November 2018 to deliberate on this topic along with related subjects to facilitate a decision by December 2018

9. PLEASE CONTACT: Padraig Power at ppower@globalpartnership.org for further information.

Annex 1 – Experience of Other Global Funds and Partnerships

As described earlier in the paper, the World Bank typically plays one (Trustee), two (Trustee and Grant Agent), or three roles (Trustee, Grant Agent, and Secretariat host) with respect to FIFs. The table below summarizes the differences for a small group in the health and climate sectors. Each organization has a different business model and is in various stages of development so simplistic comparison can be challenging. For example, the Green Climate Fund is relatively new and expected to grow significantly over the coming years. Global Fund has been operating at current levels for several years after several years of significant growth and change and is expected to stabilize at current levels. Global Environment Facility around since 1992 have been stable and operating at similar levels for over 10 years and will continue to do so, while GPE is in a growth phase with disbursements expected to grow significantly.

Partnership	World Bank as Trustee	Separate Legal Personality	Secretariat	FX Hedging	World Bank as Grant Agent	Direct Disbursement to DCP Governments and/or Local NGOs	Staff Size (approx.)	Annual Disbursements
Global Fund to Fight AIDS, TB, and Malaria	Yes	Yes	Independent (formerly hosted by WHO)	Yes	Yes	Yes	700	$3-4 billion (approx. 40-50% health products)
GAVI	No (IFFM (UK Charity - yes)	Yes	Independent (formerly hosted by UNICEF)	Yes	No	Yes	300	$1.4 billion (approx. 70% health products)
Global Environment Facility	Yes	No	Hosted	No (Decided not to explore by GEF Governing Council)	Yes	No	75	$1 billion per year
Green Climate Fund	Yes	Yes	Independent	No	Yes	Yes, but entity must be accredited	150 (rising to	$150m by end of 2017 with annual

							200 in 2018)	target of $900m in 2018
CGIAR	Yes	Yes	Independent (System Organization) (formally hosted by World Bank)	No	No	Yes, to CGIAR Research Centers, Secretariat (System Organization), FAO, The Crop Trust	35	$610m in FY16 $511m in FY17
GPE	**Yes**	**No**	**Hosted**	**No (but exploring)**	**Yes**	**No**	**108**	**$500m rising to $750-$800m by 2020**

(I) Global Fund for HIV/AIDS, TB and Malaria

Purpose: The Global Fund for HIV/AIDs, TB and Malaria is designed to accelerate the end of AIDs, TB and Malaria as global epidemics through a partnership between, governments, civil society, and the private sector.

Topics for Comparison:

Legal status: The Global Fund was established as a Swiss foundation in 2002 and registered with the Swiss Supervisory Board of Foundations. The Board of the Global Fund is and has been the Board of the Swiss Foundation and the Global Fund's legal personality and capacities were originally those of a Swiss Foundation, to which special recognition of its international nature was granted by the Swiss Foreign Affairs Department in the form of a Headquarters Agreement, granting the types of privileges and immunities that are accorded to treaty-based international organizations.

The Global Fund's Board included State and non-State actors, blending the public and private sectors in the governance structure. The Global Fund was also recognized as an "international organization" by U.S. Executive Order and has since been "recognized" by Moldova, Georgia, Montenegro and several African States. The Global Fund's legal capacities are those of a Swiss Foundation (e.g., capacity to contract, hold tangible and intangible property and assets and the normal rights and capacities of a non-profit organization) with additional privileges and immunities in those countries recognizing the Global Fund as such.

Secretariat. (Approximately 700 Staff) The Secretariat was originally hosted by WHO, which means that Global Fund employees were WHO employees subject to WHO's Rules and Regulations, including those governing HR matters. In December of 2008, the Secretariat de-hosted from WHO and Global Fund staff became employees of the Global Fund (Swiss Foundation) entity. Global Fund staff numbers at that time were approximately 250 staff. The de-hosting exercise was difficult in that some staff members did not wish to leave the WHO HR environment, including its benefits systems.

The Secretariat Staff while hosted had dual "reporting lines" due to the duty of loyalty owed by all WHO staff to the WHO Director General and the reporting lines to the Global Fund Board; legally the Board of a Swiss Foundation. This meant that as a governance and operating matter, hosting created an additional layer of potentially conflicting legal and administrative obligations for Global Fund staff until the Secretariat de-hosted from WHO.

Trustee Services. The Global Funds ODA finance has been historically managed via Trust Fund held by the World Bank serving as Trustee. Trustee services include accepting contributions into the Trust Fund in the form of cash, promissory notes, letters of credit etc. and disbursing funds on written instructions from the Global Fund. Once funds are disbursed, the World Bank has no further responsibility or liability for the use by any recipient of funds transferred from the Trust Fund (excluding funds disbursed to the World Bank acting as Grant Agent for programmatic work). The World Bank asserts its privileges and immunities as an international organization to apply to the assets, operations and transactions of the Global Fund's Trust Fund.

FX Hedging. According to the Global Fund's annual Independent Auditors Reports, Statements of Receipts, Disbursements and Fund Balances, the Trustee does not hedge against FX movements and

thus its Trust Fund assets recognize gains and losses on FX movement to the US$. However, for funds held directly by the Global Fund entity (outside the World Bank) the Global Fund utilizes am FX hedging strategy under its Global FX Management Framework. The framework applies risk limits – (the "Value at Risk method" model) which considers potential loss, the probability of losses caused by FX movement over various periods. The Secretariat applies the FX hedging framework to enter into forwards and swaps, partially de-risking FX movement for those assets held in commercial banks outside the World Bank Trust Fund.

Grant Agents and Administration. The Global Fund issues grant funding to National Entities, International organizations and non-State actors (e.g., International and Local NGOs) after a detailed due diligence process that includes: assessing capacity of the grant recipient and its experience, internal controls and systems, workplan. As it does not have in-country presence, it uses Local Fund Agents ("LFA") to conduct the assessments of capacity, and review periodic workplan progress and use of grant funds and oversees verification exercises of results and reporting data. LFAs include organizations like PWC and KPMG among others. It also has within the Secretariat, an independent oversight function, and multi-disciplinary functional specialist teams (Finance, Procurement, M&E, Legal) that provide an additional layer of oversight.

GLOBAL FUND LESSONS LEARNED - INFORMING POSSIBLE GPE MODELS

- GPE does not have legal personality.
- The Global Fund has legal personality and that provides capacity to:
    - Contract, for staff, with grant recipients and LFAs, with donors and other stakeholders, for services (including banking and FX hedging transactions), to purchase goods, lease office space etc.
    - Own, hold and dispose of property, assets and funds.
    - To create and manage aligned governance and operational platforms and mechanisms reporting to the Board.
    - To create and manage monitoring and evaluation systems, audit systems and dispute resolution mechanisms and processes.
- Should GPE ever decide to de-host, it can learn from the Global Fund experience that moving staff from international organization HR systems and contracts to HR systems and contracts of an independent legal entity is a complex migration exercise especially when done over a short period. In GPE's case, this would be exacerbated by the potential need to relocate staff to a location that provided the required legal status. The larger the Secretariat the more complicated and costly the process becomes, and risks to disruption of service due to loss of personnel could be expected. To mitigate such risks, a well-planned and resourced implementation plan over a sufficiently lengthy transition period can ensure the policies and systems of an independent entity are robust and developed as economically and efficiently as possible, while the impact of staff turnover can be better managed.

(II) GAVI

Legal status: GAVI Alliance was founded by acclamation of a "proto-board" comprised of representatives of stakeholders, including WHO and UNICEF, in 1999 after an announcement at the WEF. At establishment, the Alliance was not a legal entity and had no legal personality. The GAVI Secretariat was hosted by UNICEF and GAVI "staff" were on UNICEF contracts. The GAVI Board was not the Board of a legal entity.

Two separate legal entities were established in the U.S. and France respectively, as non-profit fund-raising entities, each of those entities had independent Boards and had legal personality and capacity, hiring its staff under the national law systems of the U.S. and France respectively.

In 2007, the GAVI Foundation was established a Swiss foundation, registered with the Swiss Supervisory Board of Foundations. In 2009, GAVI was reorganized into the GAVI Foundation, which had applied for recognition by the Swiss Foreign Affairs Department in the form of a Headquarters Agreement. GAVI was granted the types of privileges and immunities that are accorded to treaty-based international organizations: same as Global Fund Status in Switzerland. Staff from the US and French entities were largely transitioned to the Swiss entity and GAVI staff hosted by UNICEF were de-hosted to become GAVI staff.

At that time, GAVI's Board became the Board of the GAVI Foundation and included State and non-State actors, blending the public and private sectors in the governance structure. GAVI has not been recognized as an "international organization" by any other country.

Secretariat. (Approximately 300 Staff) As noted above, the Secretariat was originally hosted by UNICEF Similar to the experience of the Global Fund, GAVI the de-hosting exercise was difficult in that some staff members did not wish to leave the UNICEF HR environment and benefits systems.

A dual reporting line existed for GAVI staff similar to that inherent in the Global Fund's dual structure from its inception. However, there was no legal/fiduciary duty owed by the GAVI Board or by GAVI staff to the GAVI Board because it was not the Board of a legal entity.

This meant that as a governance and operating matter, hosting created an additional layer of potentially conflicting legal and administrative obligations for GAVI staff until the Secretariat de-hosted from UNICEF.

Trustee Services. Initially, UNICEF provided Trust Fund services to GAVI. The fact that UNICEF also provided programmatic support including vaccine procurement services, created conflict of interest and other challenges arising from the hosting relationship.

After de-hosting from UNICEF, GAVI managed its own funds and assets, in bank accounts held in Switzerland, and subject to GAVI's privileges and immunities. One of the beneficial attributes of having assets managed within an MDB or other International Organization is the privileges and immunities enjoyed by the trustee's international legal status. Further, for "partnerships" that are not legal entities (as GAVI was not at inception) the trustee relationship creates the operating capacity to contract, enter into grants and other matters, on the host's paper and allows donors to score the "donation" as multilateral ODA for OECD reporting purposes.

FX Hedging. UNICEF did not provide FX hedging services to mitigate donor currency exchange risk. When GAVI de-hosted, it was able to implement hedging transactions as an independent legal entity. Today, GAVI's FX exposure is actively hedged based on near-term expected FX movement against the US$. Some donor grant commitments are hedged at between 75% and 100% of exposure looking forward two years, based on experience with those donors. For announced pledges, hedging is reduced to 60% to 100% of exposure for the year after announced and between 40% to 100% for the subsequent year. GAVI poses limits on the types of instruments, the credit rating of the counterparty and the amount hedges with any one counterparty, up to US$50mn.

The World Bank does serve as treasury function for a separate legal entity, the IFFIm, established as a charity under English law. IFFIms' purpose is to issue debt/bonds in capital markets backed by legally binding long-term sovereign agreements of committed by several sovereign states (generally 20 years in length). The sovereign credit ratings of the multiple donors flows through to the Bond rating under a formula. Bond proceeds are granted to GAVI for programmatic support. The legally binding nature of those sovereign grant agreements allows the World Bank to provide hedge transaction intermediation services to IFFIM.

Grant Agents and Administration. GAVI's principle funding activity, is the procurement of vaccines via UNICEF for distribution to GAVI beneficiary countries. GAVI also makes cash grants directly to countries and to NGOs and International Organization partners, though its partners' engagement framework (PEF). PEF funding supports "targeted country assistance, strategic focus areas and foundational support." The PEF was initiated in 2016 and clarifies grant recipient and partner roles including results and accountability monitoring and evaluation.

The PEF provides resources to technical assistance to countries a shift from prior programs which funded technical assistance at the global and regional levels.

GAVI LESSONS LEARNED - INFORMING POSSIBLE GPE MODELS

- Same as lessons learned for Global Fund above.
- Even with 95 staff within UNICEF at the date GAVI de-hosted those staff members, the GAVI de-hosting exercise, was complex and difficult; and some staff did not migrate.
- Generally, a hosted program with no legal personality is limited and may be unable to fulfill basic functions efficiently to achieve the development expected by stakeholders, particularly beneficiary countries. Hosting arrangements complicate and add legal layers which are not present in aligned governance and operational structures facilitated by legal personality.

(III) The Global Environment Facility

Legal status. The GEF is a funding coordination mechanism for several international conventions, including the United Nations Framework Convention on Climate Change (UNFCCC), the United Nations Convention on Biological Diversity (UNCBD), the Stockholm Convention on Persistent Organic Pollutants (POPs), the United Nations Convention to Combat Desertification (UNCCD), and the Minamata Convention on Mercury.

The GEF is not a separate legal entity with separate legal personality. It's founding Instrument (Revised 2015) established governance coordination bodies but not a new entity. GEF is a coordination arrangement among 183 Member States. Its governance bodies include: (1) An Assembly representatives of all Member State participants and it meets every three years. Its function is to review the general policies GEF, evaluate the GEF's operation, and review GEF membership criteria; and (2) The Council which is responsible for "developing, adopting and evaluating the operational policies and programs for GEF-financed activities" and overseeing the work of the Secretariat. The Council is comprised of 32 Members elected as representing constituency groupings.

Secretariat. (Approximately 75). The Secretariat is hosted by the World Bank, so all staff are on World Bank contracts. The CEO has the status of Vice-President in the World Bank structure, and has the authorities accorded VPs under World Bank rules and regulations.

Trust Services. The World Bank serves as Trustee.

FX Hedging. According to a GEF Report the World Bank and GEF had been discussing hedging support to mitigate FX slide against the US$ however it has not been implemented. The report cites the need to engage with "individual donors to address these risks based on their willingness and ability to adopt a hedging strategy, clarity around legal aspects of hedging transactions, associated cost, etc." In the meantime, the World Bank holds a "level of financial reserve estimated at approximately 15% of unencashed promissory notes" committed by donors, which could be called to bolster the GEF Trust Fund to mitigate against "adverse exchange rate fluctuations without unduly constraining the programming ability of the GEF."

Grant Agents and Administration. GEF Agencies are responsible for creating project proposals and for managing GEF projects. There are eighteen institutions acting as GEF Agencies, nearly all of which are international organizations formed by Member States. GEF Agencies in turn manage GEF projects on the ground and assist governments and NGOs "in the development, implementation, and management of GEF projects."

GEF, through UNDP, administers a small grants program ("SGP") for amounts up to a maximum of US$50,000 and up to US$150,000 for "strategic projects." Proposals must demonstrate:

- How the proposed project proposal meets the GEF SGP criteria by articulating how project objectives and activities would have an impact in the SGP areas of work -GEF focal areas.
- How they respond or are aligned to the targets and objectives of the SGP Country Programme Strategy.
- Be proposed by national CBOs and NGOs.

The GEF also provide access to concessional loans and through its non-grant instrument programs.

GEF LESSONS LEARNED - INFORMING POSSIBLE GPE MODELS

- GEF's governance bodies are comprised only of member state representatives; as such it is different from GPE's partnership model which includes non-State actors and other international organizations in its Board and Committees.

- GEF's lack of legal capacity means that it must operate only through World Bank processes. Since all of GEF funding is in a Trust Fund and it does not own and hold assets outside the World Bank, GEF cannot hedge or conduct other innovative finance transactions in its own name.

- The GPE Secretariat and operating expenses budget now exceeds that of the GEF, with GPE potentially growing further over the coming years. GPE however is a Unit within the World Bank with the CEO reporting to a Vice-President (responsible for several Units) which means that transactions and approvals must be authorized by the Vice-President rather than the CEO. The CEO of GEF on the other hand has the status of Vice-President.

(IV) Green Climate Fund

Legal status. The GCF is an international organization incorporated in the Republic of Korea through the establishment of a headquarters agreement. In its Founding/Governing Instrument, the GCF asserts that it has legal personality and capacity "as is necessary for the exercise of its functions and the protection of its interests." Further, GCF has privileges and immunities in the Republic of Korea established through the headquarters agreement in December 2013. It is governed by a 24-member Board comprised solely of U.N. Member States. There are no non-State actors in the Board although there are 4 active observers representing civil society and the private sector.

Secretariat. (Around 150 staff but expected to rise to 200 by end of 2018). The Secretariat is based in Songdo, Republic of Korea and operate as the staff of the GCF international organization.

Trustee Services. The World Bank is the current interim trustee for GCF. A permanent trustee is to be appointed by the end of 2017.

FX Hedging. There is no active FX Currency hedging service in place.

Grant Agents and Administration. The GCF has a complicated process for accrediting organizations as potential funding recipients but it is functional. The GCF Accreditation Policies and Standards include Fiduciary Standards, Environmental and Social Safeguards, Information Disclosure, Gender Policy etc. Accredited entities may be States, International Organizations, and NGOs and must meet the GCF standards.

There are two types of Accredited Entities: Direct Access Entities and International Access Entities: (1) "Direct Access Entities are sub-national, national or regional organizations that need to be nominated by developing country National Designated Authorities (NDAs) or focal points."; (2) International Access Entities including the United Nations agencies, MDBs IFIs and other regional institutions.

Since the GCF has its own legal personality and capacity, it can enter into funding agreements directly with Accredited Entities and need not rely on the World Bank to enter into those agreements or vet (or monitor) those entities on its behalf.

GCF LESSONS LEARNED - INFORMING POSSIBLE GPE MODELS

- The GCF was created under the UNFCCC United Nations Framework Convention on Climate Change (UNFCCC). The Conference of the Parties to that convention can also close it and wind

it up. It was not created by treaty but it's legal status was established through a headquarters agreement with the Republic of Korea

- GPE is not formed under treaty either, so if legal personality was required, it may need to seek another route to recognized legal personality like the GCF, either through a new treaty or some other recognition mechanism such as a headquarters agreement with a participating State. This is similar to the mechanism used by the Global Fund for HIV/AIDs, TB and Malaria; where interested Member States accord the GPE recognition per a declaration of support or MoU, backed by a headquarters agreement with Switzerland.

- GCF as a new organization has had to establish all of the types of back office services, policies, and systems while ramping up its governance and programmatic footprint. There is very good experience that GPE can draw on and has in this report on lessons learned with respect to developing policies, systems, and resource requirements.

- GPE however if it was to move independent wouldn't have all of the same challenges as there is already a significant Secretariat in place and established business model, and governance functions, therefore the challenges that would be similar are the identification of suitable country for a new HQ, negotiating the HQ agreement, and establishing the systems and policies to run the legal aspects, and back office services of an independent international organization. This experience has been reflected in the considerations around establishing an independent entity.

Annex 2 – 2012 Alison Evans Hosting Review

At the time of the last hosting review, most of the issues of concern around hosting related to the independence of the GPE Secretariat from the World Bank. Issues such as currency hedging, ability to disburse directly to governments and/or CSOs, and innovative ways to raise and deploy funds were not a focus.

2011 – In the context of the transformation from EFA-FTI to GPE, which included adapting the governance structure to one that was similar to other Global partnerships/funds, a change from a World Bank administered multi donor trust fund to a financial intermediary fund, the GPE Board also commissioned Dr. Alison Evans, to produce an independent report reviewing the "hosting arrangements" provided by the World Bank to GPE with a view to determining whether GPE should become an independent organization.

June 2012 - The Evan's Report reviewed the experiences of other hosted "global partnerships" and recommended a staged process for improving GPE's operational and administrative effectiveness in the following areas:

- *Hosting issues: process for appointing Head of the Secretariat, HR flexibility, Procurement flexibility, GPE and WB brand-Identity, Staff Performance Management, reporting to GPE Board on costs and program performance metrics.*
- *Partnership Issues: GPE Managerial accountability to the Bank; Bank role as Grant Agent; Fundraising strategy; Quality Assurance of Sector Plans and Grant Proposals.*
- *County-Level Issues: Strengthen LEGs; Flexibility in Planning and Disbursement Speed; Aligned aid modalities.*

Evans recommended that the GPE Secretariat remain hosted in the World Bank and work together to create a "Status Quo – Plus" hosting arrangement which if not achieving the desired effect could lead to a phase 2 where GPE would de-host the Secretariat and become independent.

October 2012 - A Board working group was established to take forward the report findings and made a number of specific recommendations against the areas of concern which the Board validated in October 2012. See next page for recommendations made impacting hosting relationship and current status.

November 2013 - Over the course of 2013, the Secretariat and World Bank attempted to address the recommendations through developing a hosting Memorandum of Understanding (MoU). The principles were agreed by the Board and the Governance Ethics Risk Finance Committee (predecessor of the current Finance and Risk, and Governance and Ethics Committee) was delegated authority to oversee the finalization of the MoU

March 2014 – The Committee recommended the MoU not be signed and be revisited after the June 2014 replenishment conference due to several concerns:

- ambiguity around the authority to implement Board decisions with regard to budget and staffing
- ambiguity in relation to the CEO Performance Review; and
- Concerns that the Secretariat continues to be bound by all World Bank policies, regardless of the source of funding.

In addition, the Secretariat determined that the progress made on discussions on the MoU had led to a way of working over the 2014-2017 period that substantially addressed the governance committee's practical concerns without a formal agreement as:

- During this period, the World Bank facilitated all GPE Board decisions on budget, headcount, and workplan.
- The CEO performance review while following World Bank practice was substantially a Board matter with the Bank respecting the Board's decision to renew the CEO's contract.
- The requirement to follow World Bank policies was not posing a significant constraint for the Secretariat to facilitate implementation of Board decisions. For example, the World Bank did not seek to impose restrictions on GPE staff growth during this period despite embarking on a significant program to reduce staff and non-staff costs across the Bank group

Given the growth in the size of the GPE Fund, the ambition of the partnership and its increasing profile, and after several years of reform and strengthening the business model, operational model, Secretariat, governance structures, and developing a new financing and funding framework (FFF), both GPE and the Secretariat now looks substantially different to where it was in 2012-2014. The GPE Secretariat is now the largest hosted Secretariat within the World Bank.

During that time period, the World Bank has also seen a significant increase in the number of Financial Intermediary Funds established and the Trust Fund Reform Process aims to provide a more corporate approach and allow the Bank to have greater corporate discipline as to how it engages with FIFs.

The next page outlines the original Evans recommendations linked to hosting and the current status of them (Red text)

Issue Number	Priority	Issues to be addressed	What is needed	Actions by Whom	By When	Desired Outcome	Measured How?	Current Status
Hosting Issue 1	High	According to World Bank human resources rules, while the Board of Directors is consulted as part of the process of recruitment of the Head of the Secretariat, the final decision rests with the Vice President of the Human Development Network in the World Bank. This rule, which makes sense for the World Bank's core business, undercuts the authority of GPE partners on the Board of Directors ("Board") to determine future leadership of the global program that they fund/ participate in.	Senior level/Chief Executive Officer ("CEO") appointment includes full engagement of the Board in recruitment and decision-making.	Chair of the Board and CEO Working Group convene a meeting with Bank management at the highest level (President if necessary) to agree and confirm in writing a more equitable approach to CEO recruitment. Bank human resources staff supports CEO recruitment with full and equitable participation of nominated Board members.	September 2012 for agreement, January 2013 for CEO appointment.	Board has full and equal authority to appoint the CEO.	CEO appointment made at appropriate senior level to the full satisfaction of the Board and the World Bank. Clear performance framework in place for CEO to be measured against.	**Resolved** – CEO Appointed by Board with involvement of World Bank in recruitment
Hosting Issue 2	High	World Bank human resources procedures service core World Bank business and are not easily tailored to Secretariat staffing needs (in terms of mix of skills/job titling and seniority). The recently introduced cluster system in the World Bank slows down recruitment further. The need for flexibility	A Memorandum of Understanding (MoU) to be prepared and agreed between the Board of Directors and the World Bank setting out: roles and responsibilities in decision-making on human resource matters,	Board Chair and CEO working group plus World Bank– as part of wider MoU.	Process started by September 2012, final MoU by December 2012	Improved flexibility, speed and leadership in hiring Secretariat staff appropriate to the Global Partnership's needs.	MoU finalized and disclosed internally and via GPE website.	**Open** – An MoU was never signed for reasons outlined above but GPE was provided flexibility to grow the Secretariat based on Board decisions and to recruit its own staff based on Bank HR rules but without interference

		by the Secretariat means an increased reliance on short-term and extended term consultant staff. The uncertainty of short term contracts adds to the challenge of building a strong/stable Secretariat team e.g. extended term consultant cannot, for example, be task managers with authority over budgets. Flexibility as to Secretariat recruitment remains an area of some tension between the Secretariat and the World Bank.	procedures for hiring Secretariat staff and (as above) terms for the participation by the Board in senior recruitments (also see staff rules below).					**Currently**, the Bank has placed a freeze on new positions approved by the GPE Board and have informed the Secretariat that the situation will be revisited after deliberations on the effective and efficient partnership review. Promotions are currently in the same situation.
Hosting Issue 3	High	World Bank rules on procurement are there to support its core business but are often too limiting for the scale and type of contracting undertaken by the Secretariat. This slows down and adds costs to Secretariat decision-making and delivery. Currently Secretariat staff leads on procurement themselves which adds costly steps to the process as not all are equally familiar with	The Secretariat's current decision to recruit a 'Resources Manager' with responsibility for leading on procurement should significantly aid current procurement processes. Training/sharing of good practice within the Secretariat on the scope for more flexible/smarter	Secretariat with World Bank human resources to finalize recruitment of a Resources Manager as soon as possible. Secretariat to ensure internal knowledge sharing on engaging effectively with World Bank systems. "How to"s developed to assist recruitment, rapid and flexible procurement etc.	October 2012 Ongoing Ongoing	Secretariat is able to quickly and efficiently procure goods and services to meet the needs of the Partnership. The Secretariat is fully up to speed with World Bank procurement processes and the flexibilities therein.	Resources Manager post filled. New and existing Secretariat staff show improved speed/confidence working with a range of Bank systems (measured through GPE staff and client surveys)	**Resolved** – A dedicated resource was not recruited as the Secretariat's focus has been to accredit more task team leads that are able to work directly with World Bank corporate procurement to facilitate GPE's needs. A dedicated resource was recommended as part of the HR Plan but that position is on hold

		the rules and exemptions etc.	ways of doing business. The Secretariat needs to develop a stronger voice in working with the service departments of the Bank along with dedicated human resource procurement and information technology contact persons within World Bank service departments.	Resources Manager as above.				For the most part there are no issues with procurement, however challenges can be encountered in non-routine procurement situations such as replenishment events.
Hosting Issue 4	High	World Bank staff rules put all matters relating to the World Bank – brand, identity etc - above that of the Global Partnership. World Bank staff rules are a key part of the authorizing environment for the hosting arrangement but should not exclude the possibility of staff duly serving both the World Bank and the Global Partnership on an equal footing	A key principle, the MoU should include the simple statement that "for staff of the Secretariat, loyalty to the World Bank means duly serving the interests of the Global Partnership for Education" (similar to what happens when WB staff are seconded to other organisations	Board Chair and World Bank senior management to agree as part of an MoU language to manage the staff rule for Secretariat staff as per World Bank secondees.	Finalised by December 2012	The Secretariat fully recognizes and operationalizes its accountability to Secretariat senior management and the Board.	Clause on staff rules included in MoU	**Unresolved** – MoU was not signed. The Bank's management framework recognizes that there is the potential for GPE staff to have "dual loyalty" and conflicts might arise between the Bank's mandate and objectives and instruction from the GPE Board. While this rarely poses a challenge, it could mean GPE staff would be breaching their contracts if they take an action that fulfills their responsibility to the Board against the

								express directives of the World Bank
Hosting Issue 5	High	World Bank-led performance management of the senior team in the Secretariat skews incentives and gives the appearance of greater accountability to World Bank management than the Board.	MoU needs to clearly specify Board involvement in senior leadership performance management through: (a) Possible establishment of a 'performance management sub-committee' to oversee Secretariat performance (b) Drawing up a performance framework for Head/CEO to be monitored by the Board.	Board Chair/nominated Board representatives agree with senior World Bank management on a modus operandi (to be inserted into MoU) for Board formal engagement in performance management.	Finalised by December 2012	CEO and senior Secretariat management are directly and fully accountable to the Board.	Board involvement in senior performance management formalised with clear performance goals being monitored by the Board on a regular basis.	**Open** – MoU was not signed. In practice, only the CEO has a direct report into a World Bank Vice President for performance purposes. The GPE Board also has its own CEO performance appraisal process For Managers reporting to the CEO, the World Bank Vice-President also signs off on their results agreements and performance reviews once cleared by the CEO.
Hosting Issue 6	High	World Bank financial reporting/charge codes do not give a readily accessible picture of the Secretariat operating costs to Board members and external stakeholders.	Work on the presentation and transparency of cost data to allow for a clearer assessment of 'cost of doing business and pass through cost' with clearer benchmarking over time.	Secretariat to (a) introduce a new/simplified format for tracking costs of doing business categorised clearly into Board governance, administrative and operational costs (b) ensure the timely production of financial reports with cost data and	October 2012 for simplified cost data December 2012 for performance scorecard (see below).	Greater transparency of costs of doing business and portfolio performance improves the regularity and quality of Board oversight of Secretariat operations.	Scorecard and improved cost data regularly presented to Board and disclosed as part of an Annual Report.	**Resolved** – GPE operating expenses budget is presented in considerable detail and staff time can be tracked to function, while cost codes can distinguish by team, and type of expense

				portfolio performance data fully disclosed (c) production of a scorecard with cost vs. spend & portfolio performance data regularly presented to the Board (see below).				
Hosting Issue 7	High	No clear/simple methodology for Secretariat reporting to the Board on key performance issues: from elapsed times for recruitment to portfolio performance and average disbursement rates.	Develop a scorecard of key performance measures to be routinely shared with and monitored by the full Board.	Secretariat with the Board.	Ongoing for Annual Report First scorecard by December 2012	Board oversight of the quality of operations of the Secretariat and partners improves.	Greater transparency of operational/ portfolio performance improves the quality of Board oversight of Secretariat and partner operations.	**Resolved** – Key metrics related to grant performance are disclosed in the annual portfolio review, and GPE now has a 37 indicator results framework
Partnership Issue (Relevant to hosting)	High	The Partnership has relied heavily on the World Bank to perform as Grant Agent. In line with other global programs, a broader participation from donor partners is vital to deliver a true partnership and break the perception that GPE funds are being used 'as if' World Bank funds at country level.	Finalise Accreditation Guidelines as soon as possible. GPE donor members must step up to taking on Grant Agent roles as befits the GPE partnership model.	Board to finalise/approve Accreditation Guidelines. Board to develop and implement a strategy alongside the Guidelines that actively promotes and negotiates the role of Grant Agent with other multilateral and donor partners. Secretariat to be part of high level negotiations with donor partners on	Second face-to-face meeting of the Board of Directors in 2012 at the latest. The current process of accrediting additional Supervising Entities is complete by December 2012. A further six accredited	A greater diversity of partners engaged in the Grant Agent role.	Policy finalized and disclosed. Strategy finalised and at least one new Grant Agent appointed/ operational by June 20	**Resolved** – Significantly more Multilaterals, Bilaterals, and INGOs now act as Grant Agents, although overall Bank share of funds is still high at approximately 70% compared to 95% at time of review.

				becoming a Grant Agent.	Supervising Entities are in place by December 2013.			
Country-Level Issue (Relevant to hosting)	High	Lack of flexibility in the process of planning and implementation. Slow disbursements of funds after grant approval.	Secretariat pilots and evaluates ways of increasing flexibility and speed in planning process plus funds disbursement/ implementation of funds, especially in countries with weak/ fragmented institutional capacity.	Secretariat work on front-loading of resources in fragile states finalised/ implemented and disclosed. Further work done by Secretariat with key country stakeholders to identify options for added operational flexibility & speed (through streamlining of procedures & processes) Board or Executive Committee, if established, to discuss and approve options as soon as possible.	October 2012 Options paper for Executive Committee finalized by December 2012	GPE improves the quality and scale of support to conflict affected and fragile countries.	Challenges of World Bank as Grant Agent mitigated through the use of more flexible aid modalities.	**Partial Progress –** Accreditation of INGOs and introduction of accelerated funding has allowed fast disbursement when necessary. GPE funding model and quality assurance processes are transaction heavy, however streamlined processes with greater delegation now proposed to GPC/Board Ultimately, under current institutional arrangements, GPE must work through Grant Agents and follow their own processes.
Country Level Issue (Relevant to Hosting)	Medium	Range of aligned aid modalities in operation limited by constraints of Grant Agents (especially the World Bank).	Secretariat works with sector teams in the World Bank and with non-World Bank Grant Agents in piloting alternative aid modalities to	Secretariat secures commitment from Grant Agents on suitability of alternative modalities for disbursing program implementation grant funds.	Alternative modes for disbursing funds in place by June 2013.	More flexible aid modalities bring about stronger alignment of GPE funds and national education sector plans.	Evidence of increased alignment and crowding-in of resources at country level.	**Unresolved –** under current institutional arrangements, GPE must work through Grant Agents and follow their own processes.

			bring about greater alignment of GPE program implementation grant funds with education sector plans.	Piloting takes place in 2-3 countries by June 2013.				Significant work ongoing on alignment. New initiatives such as the Multiplier and ESIC may help to crowd in additional co-financing and other resources at country level

Annex 3 – Hosting in Practice and the Potential Impact of the Trust Fund Reform Process

The table below provides further information on the Secretariat's hosting relationship with the Bank and the range of services it covers, and the potential changes to it based on latest discussions emanating from the Trust Fund Reform process. Additional information on the Trust Fund Reforms are also provided by the World Bank in this annex.

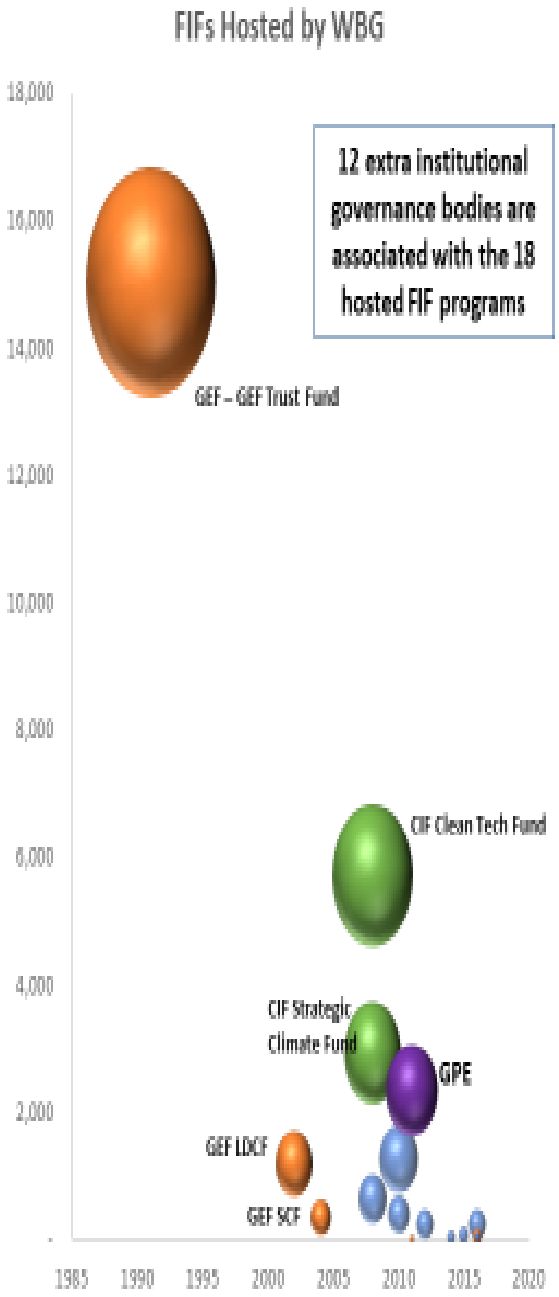
Topic	Practical Implications	Potential Changes
Organizational Structure For administrative purposes, GPE is a Unit within the World Bank's Development Finance (DFi) Vice-Presidency, meaning that GPE's CEO holds the position of a Director and reports to the Vice-President of DFi	• Results Agreements and Performance Reviews for the CEO must be completed with the Vice-President. In practice, these take into account the information provided by the GPE Board Chair • The reporting structure of a unit reporting to a vice-presidency does mean that the grade level of the GPE CEO is currently capped at Director level, and any consideration of elevating the grade in the future would need to be agreed by the Bank and would have implications for reporting lines. • Administratively certain transactions or exceptions can only be made at vice-president level. Examples would include requests to hire additional staff that have been Board approved. At present, the latest Board approved staffing decisions have not been sanctioned by the Bank	• With the Trust Fund Reforms Process – there may be a desire to ensure that FIF Secretariats are functionally located with relevant global practices. In GPE's case, this may mean a change of Vice-Presidency from Development Finance to Human Development where the Education Global Practice is based.
Human Resources All GPE staff are employed on World Bank contracts, and abide by the HR policies and procedures of the Bank.	• GPE does not need its own compensation and benefits specialists, recruitment specialists, payroll services, or internal justice system. However, it does mean that the GPE Board can't determine its own compensation structure for the Secretariat and must accept changes in HR policies determined by the Bank (e.g. the decision to increase cost recovery charges on staff benefits) • As World Bank staff, GPE has the ability to recruit and locate staff in any country in which the World Bank has presence securing the necessary visas.	• Previously GPE has been exempted from directives in the Bank that placed limitations on recruitment. • It's possible that arising from the Trust Fund Reforms, GPE would could be subject to these directives. For example – World Bank desire to reduce the number of Managerial positions from

		a ratio of 8 staff to 1 to 10 to 1. GPE is at 18 to 1 so may not be directly impacted but it may have implications if additional managerial posts are needed.
Legal GPE does not have its own legal capacity. The Bank signs Financial Procedures Agreements and Donor Contribution Agreements on behalf of GPE	• GPE does not need to have its own legal services, and GPE can rely on the Bank where needed. • GPE staff and assets enjoy the same privileges and immunities as the rest of the World Bank • Without legal capacity, the Secretariat cannot enter into any legal agreements with third parties.	• No changes expected
Procurement GPE procurement processes must respect World Bank policy	• Procurement processes are robust and GPE can rely on the systems and support provided by the Bank's procurement services. However, it must fully comply with them. For individual consultancy services (i.e. temporary staff contracts) the Bank can impose limits on the numbers of days employed, which GPE must respect even if it can cause short term operational challenges.	• No changes expected
Travel GPE has discretion on the travel policy to select a lower class of travel for budgetary reasons	• GPE benefits from the Bank's purchasing power in terms of negotiated airfares/hotel rates • GPE has access to the Bank's travel agency services	• No changes expected

Security The full services of the Bank's security services are available to GPE	• In practical terms, this involves training for GPE Staff, advisory services, along with evacuation support if required. • Security requirements can impact at times GPE staff members' ability to travel if there are restrictions on the overall number of Bank staff permitted in country at any one time.	• No changes expected
Facilities GPE does not contract for its own premises, and relies on the World Bank's services	• GPE can submit its office space requirements to the Bank and works closely with the relevant Bank team who will secure the premises and support any necessary moves or customization.	• No changes expected
Information Systems and Technology GPE complies with Bank information systems and security requirements, and must source its development needs through the Bank	• While GPE can avail of the benefits of the development and maintenance of core systems such as SAP, it is required to work through the Bank for any customized services and cannot directly contract its own vendors or design systems that are not approved as in compliance with the Bank's information security requirements • This can result in delays in service when there are multiple and often higher value requirements from other administrative units in the World Bank	• No changes expected
Finance and Audit GPE's operating expenses comply with Bank policies with respect to internal controls, eligible expenditures, and use Bank systems. GPE is subject to the same internal and external auditing requirements as the rest of the Bank	• As services, such as treasury, accounts payable, financial accounting, and reporting are centralized, GPE only requires the services of a small number of resource management specialists provided by the Bank which are reimbursed by GPE. • Accounting practices reflect international standards and systems and procedures are robust.	• GPE's operating expenses budget now requires prior submission to the Vice President before consideration by the GPE Board • It's possible that with World Bank efforts to limit cost increases throughout the Bank, that GPE's operating expenses would need to also comply with any directives that may apply.

The Roles of FIFs and the WBG Need to be Understood Better

- FIFs can be powerful instruments for global advocacy, financing, and collective action partnership
- But new FIFs are sometimes promoted without a clear understanding of existing institutions/programs or the risks of fragmentation to aid effectiveness
- Most existing FIFs are hosted by the WBG (18 of 29), relying on it for legal personality (e.g. hiring staff, procurement, other contractual obligations), which can create misunderstandings
- WBG participation in FIF governance is typically weak -- often as an observer – and roles (trustee, host, and implementing entity) separated to limit any unfair advantage; this structure can also limit input from WBG Management/Board into decisions affecting the institution as host
- FIF business models evolve and implications for changes in the relationship with the WBG are not always well understood
  - ✓ Financial innovations with potential impact on WBG balance sheet
  - ✓ Divergence from WBG policies and procedures even when WBG implements
  - ✓ Introduction of non-traditional implementers
  - ✓ Growth in staffing inconsistent with rest of WBG



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Emerging Recommendations for WBG Partnership through FIFs:

Review Stock and Better Manage Flow of new FIFs

Review to be followed by WBG Board discussion; Timing TBD



1. **Review existing stock of FIFs**, including:
   - Bank roles
   - Staffing practices

2. **Document good practice and develop guidance** on key issues

   Better formulate the **value proposition** of FIFs to understand when to use the FIF model

3. Ensure consideration **of the WBG corporate perspective over the full FIF lifecycle**

4. **Screen existing FIFs at regular intervals**, taking into account potential material changes to individual FIFs and overall portfolio

5. **Strengthen the FIF policy and procedure framework**, including greater clarity around good practices and risk management

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Annex 4 – Issues to be addressed under Option 2 – GPE as a separate Legal Entity

Key Assumptions

a) World Bank role as Trustee of GPE Fund would remain although some administrative changes likely to reflect the authority and responsibility of GPE as a legal entity

b) No change in the eligibility of World Bank as a Grant Agent although some administrative changes to agreements likely.

The consideration of establishing a separate legal entity for GPE resulting in a de-hosting of the GPE Secretariat (as unlikely to be able to serve as directors/officers while World Bank employees) looks at the following issues over the next sections

i. Governance and Legal Implications
ii. Systems and Policies
iii. Transition Arrangements
iv. Financial Considerations (Additional and Potential Savings)

It is important to note that this work is based on preliminary analysis and a more detailed transition plan and costing would need to be developed to obtain a more accurate estimate.

It is also important to note that there are many factors that impact the success of any transition and the costs, and the impact of these factors either positively or negatively would not be known at this stage, and may only be know if the option is selected and as the transition plan rolls out.

i. Governance and Legal Considerations (Section prepared by Tim Nielander – Expert in Global Partnerships)

GPE is a virtual organization, without a legal entity (personality) or its own legal capacities. GPE's existence and programmatic work relies on the legal status and capacities of the World Bank, to contract with service providers and stakeholders, to hire staff, to provide procurement, IT, trustee and other operational services. The GPE operates under the World Bank's 2013 Management Framework for Partnership Programs and FIFs, which describes the approach that the World Bank intends to take and to assess when deciding how and when to engage with FIFs across their respective life-cycles.

As with all growing initiatives, organizational status and institutional capacities must be periodically reviewed to assess whether reorganization or incremental capacity is required to ensure that the initiative has the tools and capacity to grow achieve its objectives. Given GPE's growth and trajectory, the Board may wish to consider establishing additional programmatic capacity in the form of an affiliated legal entity, fit for GPE's expanding needs.

SUMMARY

GPE is experiencing a growth cycle common to many development partnerships launched over the past 15 years. Many development "partnerships" began their lifecycles as virtual, hosted, initiatives, during their incubation phases.[2] Working as a virtual "organization" through a host made sense due to the start-up scale for many new initiatives and a demand for global, quick action to address a development challenge impacting multiple countries. Some partnerships were initially launched as time-limited initiatives, intended to fast-track or catalyse coordinated action between countries, international organizations, multilateral development banks and private sector actors. However, even after an initial phase, some partnership initiatives continued to grow and expand programs, which may place stresses on the host organization, which provides the legal and operating capacities for the virtual entity. All operations are *de-facto* dependent on the host entity's capacities.

For governance, "external Board" mechanisms, allow some coordination between States, international organizations and non-State actors but cannot fully "direct" the activities of a virtual organization and

[2] Sources and analysis derived from PhD research on forms of Public-Private Institutions used as development cooperation mechanisms. Case studies and references to data and other sources available on request. (*Public-Private Institutions in International Law*, 2014, Graduate Institute, University of Geneva).

its Secretariat, which must comply with the hosts rules and regulations, including human resources, procurement, IT, etc. Further, the host often sits as a representative in the Board and this raises conflicts of interest and other policy conflicts to the extent the host has its own initiatives in the same development sector and/or serves as trustee, grant administrator or implementing "partner" at beneficiary-country level.

GPE has engaged productively with the World Bank as host during its life-time and through the transition from the Fast Track Initiative to a "FIF." It has reviewed its institutional arrangements a number of times and has worked with the World Bank to expand its capacities. But there are limits to the services that can be provided and to the scope of exceptions to the rules and regulations that a host organization can reasonably provide. This is particularly true when a host organization provides "hosting" for a number of similarly situated initiatives and wishes to harmonize its interactions with multiple hosted initiatives in for transparency, efficiency and strategic alignment.

Recently, GPE has undertaken a series of discussions with the World Bank about strategic matters, including FX hedging, making direct grants to countries and NGOs, and engaging more closely with private sector funders and implanting partners. For GPE, expanding capacities in those strategic areas are difficult and perhaps impossible, without some independent legal structure and capacity, aligned with and operating under the direction of the GPE Board.

This paper provides an overview of the types of legal entities and capacity that could be used by GPE, drawing from experiences in the design, reorganization and operational lessons learned from other development partnerships. If GPE's current hosting arrangement is unable to provide the capacity to implement certain strategic programs and transactions, the GPE Board may wish to examine options for creating a GPE *affiliate* or for creating a new entity into which GPE could de-host and transition all of its governance and operational functions.

Each of the three options summarized here as: (Option 1) *New GPE International Organization;* (Option 2) *New Special Purpose entity;* or (Option 3) a supporting *GPE Affiliate* come with costs and potential benefits and challenges. Option 1 or 2 could provide GPE with independent legal personality and capacity, but Option 1 would provide the highest legal status and potential for recognition by GPE donor and partner countries. Option 2 (implemented by partnerships like the Global Fund and GAVI) provides for special status in Switzerland by virtue of a headquarters agreement but does not carry the same weight and potential for recognition internationally as an organization formed by treaty. Both of these options could each provide a transition period to allow GPE to de-host over time, from the World Bank, using change management processes to minimize disruption to GPE's programs and operations.

Option 3 could allow GPE to pilot certain types of strategic initiatives and transactions, incrementally, while continuing to optimize the trustee and hosting activities provided by the World Bank. If permitted by the World Bank, this could help reduce some of the challenges inherent in de-hosting entirely from a host organization and re-starting governance and operations in a new legal entity.

3. QUESTION 1: SUMMARY OF OPTIONS/IMPLICATIONS

Question 1: What are GPE's options, the implications, indicative costs and timelines involved with establishing a new legal vehicle to support GPE's Strategy 2020?

***High-level Overview of Legal Entity Types and Potential Utility to GPE*.**

(i) International Organization: An international organization, like the World Bank or WHO, is normally created by a treaty signed by countries. A treaty can be signed only by States (or State-Member organizations) and the entity created normally has only sovereign States as members and in its governance structures. An organization formed by treaty generally involves negotiation and consensus among all of the countries that are (or will be) involved with the activity. In GPE's case, this would mean potentially all of the donor countries and all partner countries.

Alternatively, **a treaty organization may be established with only 2 countries initially signing** the treaty, as this is sufficient to establish a new international organization and give it legal personality (e.g., see recent CGIAR international organization established by France and three other countries signing the treaty).[3] This process is much more efficient than the time and resource required to reach consensus among dozens of countries. In this paper, we use the acronyms "**ACT**" for an All-Countries Treaty and "**ECT**" for the lighter process, Establishing Countries Treaty.

- **Purpose**: Creates a new entity operating under public international law; but limited only to States or State Organization membership unless otherwise agreed (as in the case of CGIAR).

- **Costs**:

  - ACT: from $US500,000 to several million $US to negotiate and form depending on the number of States involved and the complexity of the subject matter. Requires extensive meetings and drafting consultations with legal and foreign affairs advisors to finalize the Treaty text; travel, meeting and negotiating costs are significant.
  - ECT: much less than $500,000 depending on the political-will and process speed of the initial 2 countries signing the treaty.

[3] See: Agreement establishing the *Consortium of International Agricultural Research Centers as an International Organization* 20 July 2012; signed by France, Denmark, Uruguay and Benin.

- **Timeline**:

  - ACT: frequently requiring several years to finalize Treaty text and for countries to ratify the Treaty, to take effect. The timeline depends almost entirely on the political will of the States involved and the subject matter or area of competence to be filled by the new entity.

- **Pros**: Of the international organization structure (for both ACT and ECT options) places the objectives, governance and operations under the control of the States who become Members. Provides for privileges and immunities, in the Member States, (e.g., can provide for LP passports or visas, tax exemption for the organization, and general freedom to operate without restriction by national law, regulations or policy).

- **Cons**: Depending on the structure of the treaty and whether the ACT or ECT process is used, costs and timeline to implementation. Depending on the treaty text, there may be restrictions on non-State actor participation in governance and operational structures, e.g., partners comprised of NGOs, private-sector companies and individuals serving in a personal capacity. The treaty and the signing countries must allow for the participation of non-State actors in governance processes to accommodate "partnership" modes of cooperation involving NGOs and other private sector actors.

- **Application to GPE**: **A model like that used for CGIAR (an ECT entity), that can accommodate State and non-State actors in governance bodies, could provide for an independent structure similar to that existing in GPE today but would require flexibility in the typical approach used by country foreign affairs departments to recognize a "partnership" structure**. An ACT entity may not fit the GPE model given traditional foreign affairs positions' that public international law only recognizes Treaty-based entities that have States-only as members in governance organs.

(ii) Non-Profit – NGO: Private organization formed under national law.[4] Some countries allow NGOs' formed in that country to conduct their non-profit missions internationally, e.g., Doctors Without Borders. However, the general rule is that an NGO must comply with the law of the country where it is formed and has its legal existence. For example, in the U.S. a typical public charity (501)(c)(3) may conduct charitable work internationally, but is subject to U.S. government foreign policy and to

[4] This paper does not consider a "for profit" corporate model, since GPE's purposes are non-profit in nature, working to support development objectives in the education sector and not the delivery of shareholder profits.

significant reporting requirements to the U.S. Internal Revenue Service. Some countries granting legal status to non-profit organizations require that the charitable work of the organization must benefit local populations, in the country where the organization is formed.

- **Purpose**: Creates a new non-profit entity to conduct charitable or development activities; has no shareholders or investors.

- **Costs**: From $25,000 - US$100,000. Most countries permitting the formation of NGOs that conduct work internationally, attempt to facilitate NGO formation with forms and filing procedures which can help streamline the process. Costs are not high as compared to the formation of an International Organization. Some countries require that the founders deposit an initial donation in the NGO (e.g., for a Swiss Foundation CHF50,000).

- **Timeline**: In many countries, formation can be done within a few weeks and up to 6 months for the organization to be registered and operating.

- **Pros**: Places the objectives, governance and operations under the control of the Board of Directors, appointed frequently by the founders, and thereafter according to the organization's documents. May include participation by representatives of States, NGOs, private companies and individuals (non-State actors) in governance organs. The organization's donor contributions can be tax-exempt (e.g., not counted as taxable profit) but the NGO must file for and be granted tax-exemption treatment in each country where it seeks donations. Board members must act in the best interests of the organization and take decisions intended to further the charitable or development objectives of the NGO.

- **Cons**: Generally, no privileges or immunities (e.g., no LP passports or other privileges). The organization is not immune from legal process or court jurisdiction and must comply with the laws, regulations and policies its country of formation and in any country where it operates.

- **Application to GPE**: Would not have sufficient international legal capacity, and privileges and immunities, to accommodate all of GPE's stakeholders in governance functions nor all of the GPE Secretariat's operational functions as they exist today. An NGO (serving as a GPE affiliate) could provide some "outsourced" functions to support GPE such as direct grant administration. However, it would be difficult to scale-up an NGO affiliate to accommodate all of GPE's governance and operational functions.

(iii) Special Purpose Entity (SPE): Public-Private Institution for Development.

Some development partnerships have created new bespoke legal entities to accommodate State and non-State actors in new forms of cooperation. In some cases, these PPI forms can also be recognized by States where they are formed (and operate), as deserving of international status and specified "privileges and immunities." This helps to facilitate governance and operational capacities.

- **Purpose:** Creates a special/bespoke public-private institution to conduct development programs internationally; qualified to received and manage overseas development assistance (ODA) funding. It is not a traditional international organization with States-only as Members. The Global Water Partnership (based in Sweden), Global Fund for HIV/AIDs, TB and Malaria, (Switzerland) and GAVI Alliance, (Switzerland) are examples of organizations recognized as having a special international status (via Headquarters Agreement) in their respective countries of formation.

- **Costs**: From $500,000 - US$1,250,000. A unique cooperation entity is more complicated than a standard NGO, and its founding documentation must be tailored to allow membership and cooperation of both States and non-State participants. Recognition of any special status by a foreign affairs office, also requires negotiating a Headquarters Agreement with the host country and may also require resources to negotiate and document "recognition" agreements in other participating funding and beneficiary countries.

- **Timeline**: From 6-12 months, for the organization to be formed and operating, depending on the political-will of the founding members and that of a host state willing to recognize the organization in a Headquarters Agreement.

- **Pros**: May be tailored to fit the purposes by its founders, which may include a limited number of functions and financial transactions. May be created as an "affiliate" of an existing partnership to provide specific operational capacities, (e.g., FX hedging, direct grants to countries and partners, private sector engagement) so need not be large in scale but may be scalable to meet future strategic plans. Places the objectives, governance and operations under the control of the Members and the Board that the Members select. May include participation by representatives of States, NGOs, private companies and individuals (non-State actors) in governance organs. May be granted full privileges and immunities in the host country, and potentially in other countries where it will have operations.

- **Cons**: Not an "off the shelf" organization so may require extensive consultation with stakeholders and negotiation to finalize the formation documents and to have them accepted by the host country where the headquarters will be located. If the special purpose entity is created to accommodate

the entire governance and operational capacities of a virtual partnership that is exiting a host organization, the complexity and transition of the entire partnership will be extensive.

- **Application to GPE**: An SPE may be designed to provide "outsourced" functions to support GPE such as FX hedging, direct grant administration and private sector engagement with sufficient privileges and immunities to cover those activities in the country of formation, and in other countries where recognized by foreign affairs departments. An SPE can also be designed with "room" to scale-up to accommodate additional GPE's operational functions over time.

4. QUESTION 2: SUMMARY OF CRITERIA AND IMPLICATIONS

Question 2: If GPE were to establish a new separate entity, what are some of the recommended criteria, to give the entity maximum legal capacities and operating facilities in the country where it is formed?

***Key Criteria to Support Establishment, Recognition and Legal Capacities*.**

If at least two GPE countries would be willing to establish an ECT international organization that can accommodate GPE's partnership structures in governance functions, GPE's options would include an ECT organization, an NGO or an SPE. In each case, the country permitting (or helping to facilitate) the establishment of the entity should provide the following support:

(i) Quick and efficient establishment.

- Establishment of an International Organization. The country or countries leading the political process should use convening power to explore how quickly the treaty establishing the new international organization can be agreed and if it can accommodate the GPE "partnership" model, including non-State actor participants. If each ECT country that wishes to be party to the treaty (e.g., 2 or more countries) bears its own internal costs of convening and negotiating the process, the cost to GPE could be minimal. If a full ACT is requested by all GPE donor and partner countries, it is unlikely that a new treaty involving around 90 countries could be quickly and efficiently negotiated and finalized, especially for an organization attempting to replicate the existing GPE structure, which involves egalitarian participation of State and non-State actors and representatives (e.g., of NGOs and Civil Societies). The headquarters/host country would normally to provide support:

(a) conferring the privileges and immunities necessary to facilitate the work of the SPE;

(b) host-country support, which could be in the form of financial support (providing facilities or establishment funding);

(c) foreign affairs administrative assistance to help the new organization obtain a Headquarters Agreement and recognition agreements with other countries that may be funding or beneficiary countries of GPE;

(d) work-permitting support and other facilities to help the organization attract international staff.

- Establishment of an NGO. The national legal system should facilitate the quick and cost-efficient establishment of the NGO and be capable of authorizing the NGO pursue its mission and objectives internationally.

- Non-interference. The national legal system should not place national or foreign policy restrictions that would limit the subject matter or countries in which the NGO intends to pursue its objectives.

- Establishment of a Special Purpose Entity (SPE). In addition to the two criteria summarized above for establishing a standard NGO, if GPE wishes to pursue the extra step to establish an SPE (with broader capacities than those typically accorded an NGO), the national legal system should be capable of recognizing a bespoke entity and:

(a) conferring the privileges and immunities necessary to facilitate the work of the SPE;

(b) providing additional host-country support, which could be in the form of financial support (providing facilities or establishment funding);

(c) providing foreign affairs administrative support to help the new organization obtain a Headquarters Agreement and recognition agreements with other countries that may be funding or beneficiary countries of GPE;

(d) Depending on the number of local staff (if any[5]) required to operate the functions of the GPE entity, the host country may also provide logistical support, work-permitting support and other facilities to help the organization attract international staff. This is a key point – and

[5] Affiliate organizations can operate with the use of consultants and local service providers that contract to perform financial transactions and functions through the affiliate. However, if the long-term objective in establishing an affiliate is to scale up over time to incorporate more or all of GPE's current governance and operations functions, then the key criteria is the international acceptability of the host country by GPE stakeholders and staff (who may be required to relocate).

important whether a new GPE entity is an affiliate with limited support or may be scaled-up in future to accommodate additional GPE operations.

(ii) Selection Process for Country in which the Entity is Established.

- **For an International Organization.** For the ECT option (requiring a small number of countries to sign the establishing treaty, it is likely that the convening country, taking the lead in the treaty negotiation process would offer to host the new international organization. Time-line efficiencies could be gained if the initial treaty negotiations included an offer to host the headquarters office of the new international organization since the two processes can work in parallel (treaty negotiation and headquarters agreement negotiation). A transparent process could include:

(a) open drafting and negotiation processes permitting consultation and observers representative of the GPE stakeholder groups, or the circulation of initial documentation for comment to GPE stakeholder groups.

(b) regular reporting to the GPE Board and stakeholder groups about the progress made and how consultative input is addressed during the treaty drafting and negotiating processes.

(c) an open invitation to all countries to sign (or recognize) the treaty and the international status of a new GPE international organization.

- **For an NGO.** If GPE wished to establish an NGO, the national ("host country") selection process must include a comparison of the pros/cons and costs/benefits of forming the NGO in countries interested in supporting its establishment. A transparent process would include:

(a) a simple expression of interest from each of GPE's stakeholder countries interested in supporting the NGO's establishment explaining the costs/benefits and the support provided by the applicable country (e.g., travel centrality, supportive of international development programs; financial services and infrastructure capable of supporting a global development program);

(b) an independent legal review of the proposals; and

(c) the GPE Board would decide where to locate the new entity and on what scale and timeline.

- **For a Special Purpose Entity (SPE).** The same steps would be followed, as outlined for an NGO above, including however, an explanation of the additional criteria necessary to obtain privileges

and immunities and to be recognized as an SPE with international character and objectives. As is well-known, Switzerland has a framework within its "Host State Act" for recognizing bespoke SPEs and according them privileges and immunities. Other countries within and outside Europe may also be willing to extend special recognition to new SPE entities that facilitate public-private cooperation. In addition:

(a) The GPE Board could approve a process and the selection criteria for a "host country" for a new SPE;

(b) The Board would announce a time-limited proposal process for interested countries. (Given GPE's donor stakeholders, a general announcement would reach countries currently active in the area of supporting the establishment and operation of development partnerships); and

(c) the GPE Board would decide where to locate the new entity and on what scale and timeline.

5. QUESTION 3: SUMMARY IMPACT ON GOVERNANCE ARRANGEMENTS

Question 3: What would the likely impact be on Governance Arrangements (e.g. impact on Board structure, responsibilities, liability issues)?

Key Impacts on Governance Arrangements

(i) International Organization Board. If the treaty accommodates the GPE partnership stakeholder model, there may be little change to the structure or responsibilities of the GPE Board. However, the Board would have direct oversight of the Secretariat, staff, assets, budgeting and programmatic activities of the GPE international organization. The privileges and immunities normally accorded to an international organization would reduce the personal liability of Board members and provide greater legal protection over the organization and its operations, in all countries signing the treaty or recognizing the GPE as an international organization.

(ii) NGO Board. Most national NGO legal frameworks will permit some overlap in membership between the Boards' of the affiliated entities. If GPE decided to establish a national NGO to provide additional legal capacities, a subset of the existing GPE Board could be named to serve as the Board of the NGO. Depending on the size and activities in the NGO, a small NGO Board could direct the work of the NGO and report to the overall GPE Board. In some countries, a national of that country, with residence in that country, must also serve on the Board. Key implications for the NGO Board:

(a) The NGO Board will have fiduciary duties to the NGO and oversight of resources, financial and personnel. This requires some level of independent judgement, but if the NGO's purpose and strategy are fixed to be harmonized with GPE's existing Strategic Plan, alignment will be achieved, reducing the chances of diverging requirements or views between the GPE Board and the NGO Board. It may be useful to have one or more independent members serve in the NGO Board;

(b) The NGO Board will have to comply with legal requirements under national law where the NGO is formed. This may exclude some GPE Board members from also serving on the NGO Board, if the country or organization that the person represents would not allow him or her to serve as a Board member under the national legal system governing the NGO;

(c) The NGO Board's legal liabilities would be covered in the normal way with Directors and Officers insurance, to protect each Director against legal claims, excluding intentional or criminal acts;

(d) The NGO Board will require time of Directors, so those serving may have additional time commitments when compared to their existing GPE Board responsibilities.

(i) SPE Board. Consistent with experiences at the Global Fund for HIV/AIDs, TB and Malaria and the GAVI Alliance, the entire GPE Board could serve as the Board of the SPE entity. This may be preferable as a matter of complete governance alignment between the hosted partnership and the SPE. However, the SPE Board could also be a subset of the overall GPE Board, fit for the needs of the size and activities housed within the SPE. If the SPE has only limited functions at formation, (e.g., including FX Currency hedging, direct grant administration to NGOs or GPE countries, etc.) then it would be more efficient if the SPE Board were a subset of the GPE Board.

If the GPE Board wishes to move the entire governance and operational functions into the SPE (effectively de-hosting from the World Bank), then the entire GPE Board would likely serve as the SPE Board. Key implications for the SPE Board:

(a) Consistent with the GPE Board practice today the SPE Board will have fiduciary duties to regarding the oversight of resources, financial and personnel;

(b) If the SPE is granted privileges and immunities under the laws of the country of formation (e.g., in a Headquarters Agreement) most (if not all) stakeholders will be able to provide representatives to serve on the GPE Board. This is because the national legal system of the host country will not impose local legal responsibilities to the Board.

(c) The SPE Board's legal liabilities will be covered by privileges and immunities in the headquarters country and in any country recognizing the SPE as having international status. However, to cover legal liabilities in countries where the organization's privileges and immunities are not recognized, the organization would carry Directors and Officers insurance, to protect each Director against legal claims, excluding intentional or criminal acts; and

(d) SPE Board service will require additional time commitments of GPE Board members, up to and until the GPE de-hosts entirely from the World Bank. Even so, given the additional programmatic and financial transactions that may be operated via the SPE, Board and Committee service requirements may increase.

6. QUESTION 4: SUMMARY OF POTENTIAL RESOURCES TO SUPPORT A GPE ENTITY

Question 4: What resources (either in-house or contracted) would need to be built in the area of legal services to support such an entity?

Resources to Support new GPE Entity

Whether GPE establishes a new international organization, a standard NGO or an SPE the organization may require a small team of start-up consultants and service providers to help establish and launch the new entity (e.g., institutional design, accounting, legal, and program development/implementation support). In any of the potential GPE organizational structures, the new entity cannot hire staff until it is formed and can issue contract for staff members. After formation, the entity can either continue to operate with service providers as supporting functions during the transition mode from the existing staffing structure or could hire staff as quickly as can be accommodated in the headquarters country. The costs/benefits of each model (service providers vs local staff) depends on the size and scope of the activities to be conducted by the new organization and the level of support provided by the foreign affairs (or equivalent) office in the new headquarters country hosting the Secretariat.

If the GPE Board wished to transition substantial activities to the new entity, a larger transition team could be required to facilitate the scale-up and migration of those activities. If this exercise were to be a phased-approach to de-hosting from the World Bank, the addition of substantial expertise is required in-house to design and implement internal operating procedures (e.g., HR, IT, Procurement and other operational functions). Change management expertise would also be required to help minimize disruption and to facilitate new "local" hiring for positions that must be filled in the new entity.

7. QUESTION 5: SUMMARY OF OTHER RELEVANT CONSIDERATIONS

Question 5: Are there any other relevant considerations to support the Board's consideration of this topic?

The Board should consider the establishment of any new legal entity in light of the capacities GPE requires and is likely to require as it moves to and beyond 2020. Those considerations include:

(a) the potential size of financial benefits that could be realized in balance against the costs of establishing a new entity (e.g., by FX currency hedging transactions);

(b) the potential for measurable development impacts realized by direct grant arrangements with countries and program administrators;

(c) the potential for new engagements with private sector foundations and actors to the extent not possible under a hosting arrangement; and

(d) the changing landscape of FIF management and engagement under the World Bank's partnership engagement process and its assessment of when a partnership is "best hosted" within the World Bank and when arm's length service provision (e.g., as trustee) makes more strategic and economic sense.

CONCLUSION AND NEXT STEPS ON LEGAL STATUS

The GPE Board's assessment and consultation of stakeholder groups may reveal the political-will and interest in pursuing the establishment of a new international organization, by treaty that can accommodate the GPE's partnership cooperation model. Exploring the potential for this option should provide the Board with an indication over the coming 6-12 months about whether a new organization can be established with an ECT process. The Board may also review an SPE option in parallel and compare the costs, timelines and pros/cons of when additional information on these options becomes available.

Next steps could include:

- Opening a dialogue with countries interested in discussing an ECT process to establish a new GPE entity;
- Opening a dialogue with countries capable of granting SPE status to a new GPE entity.
- Requesting the Secretariat to confirm the process for transition to and the interim scope of permissible cooperation with a new GPE international organization or SPE entity.

ii. Systems and Policies

This section explores the implications on systems and policies that would need to be considered across the following four areas:

- Human Resources
- Information Systems and Technology
- Facilities, Travel, Security
- Financial/Procurement/Audit

Human Resources

Compensation Strategy

GPE would need to develop a total compensation strategy that offers the best mix of retaining existing staff, attracting new ones, while minimizing cost and administrative complexity.

Adopting the policies and procedures of an existing organization such as the World Bank would be the easiest approach to addressing HR matters and would improve prospects of retaining existing staff, but may not allow for customization to GPE needs and may also limit opportunities for savings in the medium to long term.

The compensation strategy will need to consider the profile of staff that GPE needs, and must be competitive for both the local labor market in the host country and against comparator organizations. The choice of comparators (e.g. UN, MDBs, Bilaterals, INGOs, Private Sector) and the weighting of them, along with the degree to which GPE wants to be competitive in attracting top talent all impact on the salary and benefits package that should be offered. For example, the World Bank uses a mixture of 67% private sector compensation / 33% public sector (now including NGOs) when considering how to establish its compensation strategy. The profile of GPE staff is likely to be more heavily weighted towards the public sector.

The balance of local to internationally recruited staff will also impact the remuneration that needs to be offered with a higher ratio of internationally recruited staff to locals requiring additional overall costs in expatriate benefits.

Retirement Benefits

The GPE Fund is replenished every 3-4 years, and so the Board would need to carefully weigh up creation of a defined benefit scheme as this involves creating a long term liability where the assets may not be sufficient to meet liabilities creating a deficit that GPE would need to make good.

A defined contribution scheme that offers maximum portability for staff (i.e. they can take the value of their holdings when they leave GPE) would avoid GPE taking on an unknown long term liability as the

value of assets in the fund will always equal the liabilities to staff. This may be less attractive compared to the current World Bank offerings which is a mixed defined benefit/contribution scheme or the defined benefit scheme offered by the UN

The governance arrangements for the retirement scheme would need to be established, and professional advisers would need to be contracted to advise on key aspects of the scheme such as the strategic asset allocation if the scheme was being managed to deliver a target rate of return, or to advise on the appropriate investment options if participants were to be given flexibility as to how to invest their assets.

Expatriate benefits to attract and retain a diverse pool of international staff

Standard benefits typically include relocation and repatriation allowances at the start and end of contracts for internationally recruited staff. Some organizations also offer benefits such as Education Grants, Home Leave, Rent Allowance, while other organizations either use a cash based mobility premium in lieu, or a combination of benefits/mobility allowance such as Education Grants with a mobility premium.

Issues to be addressed would include balancing the attractiveness of benefits versus the cost to the organization and the administrative complexity in terms of administration (e.g. a cash allowance has low transaction costs, but an education grant may be of critical importance to attracting experienced international staff)

Insurance

GPE would need to run a procurement process to contract with a major insurance firm to provide medical, life, and accidental death & disability insurance to staff/families. While GPE would not benefit from the economies of scale of the World Bank group, It's likely that costs of insurance for GPE would be lower than present if the majority of GPE staff were eventually located outside of the US

Salary Progression and Rewarding Performance

Assuming GPE wanted to customize its compensation policies, the Board would need to consider whether it wanted a salary scheme where high performers are rewarded with larger salary increases than other staff and if so, the extent to which performance payments are predominantly one-off cash payments based on current year performance thereby limiting salary growth, or they result in actual salary increases which are permanent in nature (current World Bank system).

An alternative approach is a more traditional style of annual fixed increments on the salary scale linked to satisfactory performance each year more common in the UN and national civil services, and combined with a cost of living adjustment (COLA) linked to inflation in the host city either on an annual or bi-annual basis.

Staff grievances and disputes

In addition to developing appropriate policies and safeguards, the Board would need to make a decision on whether to operate under the authority of the International Labor Organization's Appeal Tribunal as the ultimate arbiter of employee grievances or create a GPE specific mechanism.

Other HR related policies

GPE would need to develop its own policies and procedures to cover staff recruitment, promotions, career development, leave, disciplinary proceedings, codes of conduct, payroll procedures etc. These policies and procedures can draw heavily on comparator organizations where relevant.

Resource implications of establishing a GPE HR function?

GPE would need its own HR manager and likely dedicated resources specializing in recruitment, compensation and benefits, training/career development, and payroll.

Information Systems and Technology

Information systems required

GPE will need to develop either independent systems to support grant management, finance/accounting, procurement, HR, travel, and client relationship management or will need to develop an Enterprise Resource Planning System that would be an integrated system to cover the above. A full ERP design and implementation would be a significant investment (US$2m - $3m) over a 12-24 month period, but may be far more efficient in the long run in terms of reduced manual processes and the risks of trying to reconcile a multitude of independent systems.

Equipment

GPE would also need a proper secure network with sufficient laptops and printers for staff, along with cell phone subscription plans. The costs would not be out of line with current practices as GPE pays to lease its current equipment through the World Bank

Existing systems

Transition arrangements for the secretariat's various knowledge management systems, including its Grant Management, Intranet, CRM systems, and Website would need to be addressed in the transition. At present this issue is a factor in plans for future development with a slow down on systems design that may not be portable until clarity on GPE's future hosting position is known.

Resource Implications

Expert advice would be required to advise on the best approach for meeting GPE's IT needs as well as supporting the build phase. Current developments in technology mean that reliance on large scale on-

site servers and large teams can be replaced by cloud based subscription services and a long term framework agreement with an external vendor to support GPE's information system requirements. This is likely to be more efficient than establishing a large IT function for the Secretariat.

A Chief Information Officer would be a recommended position along with a small number of additional staff to manage hardware, local networks, to provide a business analyst function, and to manage the relationship with external vendors, in additional to our current staff responsible for the website.

Facilities, Travel, & Security

Office Space

GPE would need to secure a suitable office location in the host country/city and enter into a multi-year lease. In an ideal situation, it's possible that the host country may offer a premises for free (e.g. Green Climate Fund, CGIAR) or a financial incentive to defray some or all of the costs.

One off costs would be expected to cover furniture and internal fit out costs (although its possible that a tenant improvement allowance could be available from the landlord to defray such costs), and if necessary on-going rental costs would be based on prevailing market rates in the host city which may be more or less than current costs for GPE's existing premises in Washington DC.

Travel

Depending on the location of the host city, GPE may be able to significantly reduce its annual travel costs, especially if the host city had good direct transport links to African countries and to donor partners, as this could reduce long-haul traffic over the Atlantic and especially the amount of flights in business class to Africa.

GPE would need to run a procurement process to select a travel agent to provide travel/hotel booking, and visa services and enter into a service level agreement to ensure average ticket prices were within agreed parameters.

Leaving the World Bank Group would mean staff could no longer benefit from the United Nations Laissez Passer which could complicate travel/visa arrangements for staff from certain nationalities. In addition, privileges and immunities are unlikely to extend beyond the country where GPE is headquartered which could put staff at additional risk. While likely to be a cause of concern for staff, experience from similar organizations that have made this transition, indicates that it is not a major impediment to staff travel/security or ability to conduct business.

Security and Medical Services for Staff

Leaving the World Bank would mean staff could not benefit from the security, medical, and support of country offices. GPE would need to contract with a major international firm (e.g. International SOS) to

provide security assistance (advisory services, evacuation, armed security) and repatriation for medical emergencies.

Typically this is a subscription based service with a relatively low annual cost (less than $1,000 per staff member), however actual evacuation costs or armed security services are charged at cost (similar to current World Bank practice). It's possible that to complement this service, that GPE could seek to explore the possibility of having GPE partners with country presence provide assistance on the ground to GPE staff as necessary through a framework agreement.

For HQ medical services, this could be provided by an accredited medical service linked to the insurance program to provide staff with fitness to work/travel assessments, travel vaccinations/medical kits, and medical advice.

Finance, Procurement, Internal Controls, Audit

Internal Controls

GPE would need to ensure that its internal control framework met an appropriate standard (e.g COSO). Much of the elements are already in place, but key services provided by the World Bank would need to be replaced

Finance

GPE would need to select accounting standards (IFRS or IPSAS) and create (or adopt the policies of others) its own policies and procedures for accounting and financial management. Resources would be required to support financial accounting, treasury, and accounts payable, and a proper accounting software package (possibly as part of an ERP system) would be needed.

Procurement

A small team dedicated to providing procurement support to GPE would be required. Policies and procedures in this area are relatively straightforward and can be taken from comparator organizations. Systems would need to be developed to support the process.

Internal audit

GPE will need a dedicated internal auditor or outsource the function to a reputable firm to provide independent assurance that risk management, governance, and internal controls are operating effectively.

Financial statements and audit arrangements

As GPE would be producing its own financial statements rather than relying on the consolidated World Bank statements, it will need to contract a reputable audit firm to provide an independent opinion on the truth and fairness of the financial statements.

iii. Transition Arrangements

Any decision to set up a separate legal entity and transition the Secretariat out of the World Bank will require the following to succeed:

- **Excellent Planning, Robust Oversight, and Timely Decisions** on critical milestones (e.g. location of HQ, negotiation of HQ agreement, approval of key policies particularly in the area of HR). Building off the experience of the Global Fund to Fight AIDS, Tuberculosis, and Malaria when de-hosting from the World Health Organization, a cross team transition working group within the Secretariat could be established for overall project management, with sub-groups on specific workstream areas. Ensuring participation of staff representatives would be important. A committee of the Board would need to be assigned oversight to review and preferably approve key policies, with major decisions referred for Board approval.

- **Professional Firm Support** on project management, change management, HR, IT, Legal, Finance, and Corporate Services. A master consulting firm that would be responsible for overall project management and for providing or sub-contracting the technical specialists in each of the various workstreams could be put in place.

- **A Sufficiently Lengthy Transition period -** minimum 18 months from the decision to leave to select a location for the HQ, negotiate an agreement, make the necessary administrative/legal changes to governance and administrative agreements, develop core policies/systems, and have minimum staffing needs in place and under contract followed by another 12-18 months to transition/relocate staff/ or recruit new ones.

- **A strong commitment to protect existing staff interests** – One of the key risks in such a transition is the loss of key staff in a short space of time. One of the key drivers of this risk would be concerns that staff may be worse off under a new GPE contract compared to their conditions as World Bank employees. As policies such as compensation and benefits will take time to develop, a key mitigation action would be for the Board to make a commitment that they will ensure to the extent practical that existing staff are not worse off under GPE contracts at the point of separation. In addition, ensuring the management team is empowered to provide flexibility with respect to individuals that may have visa/family constraints that limit their ability to relocate in the short-medium term would be highly beneficial.

<u>Impact on Staff</u>

Ensuring a smooth transition of staff from World Bank contracts to GPE contracts is vital. Ensuring sufficient notice and transparency on what the new employment contract terms and conditions would mean for staff under the new legal entity compared to existing terms and conditions would be an important action.

Obtaining clarity on financial obligations of GPE / World Bank for any staff member that decides not to move to a GPE contract and providing support to facilitate their next career move will be an important consideration. For 95% of GPE staff, they are employed on term contracts of 2-3 years in duration. Therefore, the timing of the end of these contracts can be timed to coincide with when a transition to a new legal entity would be optimal, resulting in no or limited actual terminations of World Bank contracts which can significantly reduce the financial liabilities to GPE for separation costs for any staff who would not be willing to join a new GPE entity and for which they couldn't be accommodated elsewhere within the World Bank system.

In an ideal situation, having a longer transition period for staff to exit their World Bank contracts and to transition staff from the DC area to the new headquarters location (likely to be outside of Washington DC due to considerations on privileges and immunities impacting the ability to secure visas for staff and families other than US citizens and Green Card holders) would greatly improve prospects for retaining staff. Possible solutions may include using existing World Bank HR policies that allow secondments that don't impact contractual obligations or compensation and benefits to external organizations for a limited period of time. Given GPE would always be likely need to maintain some presence in North America to maintain relationships with key partners including the World Bank, UNICEF, US and Canadian governments, and North American civil society partners, having some flexibility on contractual status would be beneficial. For US citizens and Green Card holders, as they have an entitlement to live and work in the US and are subject to worldwide taxation, there wouldn't necessarily be a need to relocate all of them or do to it quickly. (For example – the GAVI alliance has offices in both Geneva and DC with the office in Geneva growing over time as the office in DC gradually reduced)

iv. Financial Considerations

The cost of establishing a separate legal entity and de-hosting the Secretariat falls into two categories. One is the initial investments/transition costs, while the other costs are the ongoing recurrent costs after the new entity is up and running.

In terms of the initial investment costs, having a well-planned and sufficiently lengthy transition period can help to minimize costs, while it's also possible that financial incentives from a country interested in being the location for the GPE HQ could also be used to offset certain costs. It's possible that some professional services could be provided by interested private sector partners as in-kind contributions. The choice of developing new policies and procedures compared to copying those of existing organizations also has an impact in terms of professional service support costs.

In terms of recurrent costs, the need to replace back-office services provided by the World Bank would increase costs, however the policies that the GPE would offer particularly in the area of compensation and benefits, and the choice of location would be key determinants in whether GPE would incur an overall increase in operating costs in the medium to long term or whether the additional costs would be offset or perhaps even savings identified over the long term.

While it is too early to fully outline the costs of creating a new entity and transitioning staff to it, there are some preliminary estimates of the types of costs that could be expected and the ranges.

Investments in Information Systems and Technology - US$2m-US$3m over a 12-24-month period (possibly reduced if in-kind services offered by private sector providers as part of CSR). These costs are based on an estimate of an assisted build of a new Enterprise Resource Management system for an entity of GPE's size.

New Equipment / Office Furnishings / Fit Out - US$1m to include the fit-out costs of a new facility including security features (secure badge access), furnish the offices, meeting rooms, and establish appropriate networks and audio/visual equipment.

Relocation Costs for Staff/Families - US$2m – US$2.5m over 2-3 years assumes approximately 60-70 staff plus families would relocate costing an average of US$35,000 each. Depending on timing, the contractual situation of staff, and discussions that would need to take place with the World Bank, the incremental cost to GPE may be less as typically relocation costs when staff complete their World Bank contracts are already included in the 70% cost recovery charge that GPE pays on non-salary staff costs to the World Bank.

Professional Services Support - US$2.5-US$3.5m over an 18-month period. GPE would need a master consulting firm to help coordinate and manage the various workstreams that would be involved in such a transition including the change management support needed. In addition to the expertise that such consultants can bring, they can also provide the Board with independent advice on areas where the Secretariat would have an obvious conflict of interest such as compensation and benefits. A strong professional team (4-6 near full time experts with a further 8-12 part time or task specific) would also enable the Secretariat to maintain sufficient focus on implementation of GPE2020.

Provision for Separation Costs - up to $1.5m-$2m over a 2-3-year period. In an optimistic scenario, GPE could be expected to see staff turnover rates of approximately 20% over a 2-3-year period, with a worst-case scenario of closer to 40% turnover. In the event that staff don't want to join a separate GPE or can't find an alternative position in the World Bank or elsewhere, then effectively they may be made redundant and would be entitled to relevant redundancy payments which GPE would be responsible for. However, as 95% of GPE staff are on 2-3-year contracts the liabilities to GPE of separation costs are relatively limited in cases of non-renewal of contracts upon expiry as any separations costs are covered within the 70% cost recovery charge that GPE pays on non-salary staff costs to the World Bank. GPE Management following consultation with the Finance and Risk Committee has taken the decision while these options are being deliberated to only renew contracts up to December 2020 until further clarity is known to minimize the potential liability to GPE.

Total Investment/Transition Costs - $9m to $12m over 3 years ($3m - $4m per year)

In addition to the investment costs, GPE would need to cover the services provided currently by the World Bank either through recruiting staff, outsourcing, or a combination of both. These would be in the areas of finance, IT, facilities, travel, security, HR, legal, procurement, and internal audit totaling approximately $4m - $5m per year in additional recurrent costs (predominantly staff)

Approximately 20 new positions would need to be recruited in addition to existing posts that could be deployed to these areas. A preliminary breakdown includes:

Finance and Accounting – 3 posts (Financial Controller, Treasurer, AP Lead)

Procurement – 2 posts (Lead plus an Associate)

IT – 3 posts (Network specialist, Hardware, Business Analyst) plus outsourced framework agreement for provision of systems and development

Corporate Services – 2 incremental posts (Facilities, Travel & Security)

Human Resources – 4 incremental posts (HR Manager, Payroll, Comps & Bens, Talent)

Legal Services – 2 (Lawyer plus Paralegal)

Internal Audit – 2 (Head of Internal audit plus auditor)

Admin Support – 2

In addition, GPE would need to pay licensing/support fees for its IT needs and negotiate a framework contract for support to its systems, along with subscription services for medical and security services to staff, particularly for travel. Business insurance on facilities, and officers & directors insurance for staff and Board members would also be required

Opportunities for Cost Savings

There are a number of areas in which costs may end up being lower than currently or were some of the recurrent costs or investment costs can be reduced.

Travel - Depending on location, it may be possible to reduce travel costs significantly based on shorter flight durations, resulting in reduced use of business travel. For example, a european hub would allow short haul travel to the majority of GPE donor countries, along with travel durations of less than 8-9 hours to a considerable number of GPE developing country partners.

Office Rent - Rent costs (currently about $1.2m per year) might also be reduced or eliminated depending on financial incentives to locate the HQ. Both the Green Climate Fund in Korea and the Centre for Global International Agricultural Research (CGIAR) in France had facilities provided rent free by authorities in those countries.

Staffing Costs - Depending on the type of compensation and benefits package offered to staff, the location of the HQ, the mix of local hires to expatriate, there may be opportunities for longer term HR savings which account for the bulk of operating expenses. For example – a reduction in the cost of providing benefits from the current cost recovery charge by the World Bank of 70% of salary to 50% of salary would result in savings of approximately $3m per year based on current staff levels.

For example - GPE being based in Washington naturally has a relatively high percentage of US citizens/Green Card holders given the local labor market. This requires tax allowances to be included in benefits compared to other nationalities/visa status where the US grants privileges and immunities. If

GPE's HQ was located outside the US, it's likely that over time, the percentage of staff requiring tax allowance payments would reduce having a positive impact on benefit costs. In addition, costs such as health insurance for staff and families are likely to be significantly lower outside of the US helping to reduce the cost of benefits.

While existing staff would need to have the same starting salaries under a GPE contract as their final salaries under a World Bank contract, there would be no obligation for GPE to offer new entrants the same compensation and benefits package as the World Bank. Given the nature of the approximately 16,000 staff at the World Bank, it uses a mix of two thirds benchmarking to private sector / one third to public sector (including civil society) for how it determines the appropriate compensation and benefits structure to be competitive in the labor market. GPE however is likely to draw the majority of its staff from other multilaterals including global funds, bilateral agencies/government departments, developing country partner governments, and civil society organizations, and therefore that may result in a higher weighting of public sector organizations to private sector when determining the compensation policies potentially resulting in lower costs to GPE while still being competitive.

Pro bono services – Given the development of a strategy for engagement with the business community, and the increasing engagement of that community in GPE's governance, there could be a possibility to secure pro bono consulting services to assist in the transition phase as new policies and systems need to be developed.

Financial incentives – while a rent-free building provided or subsidized by the country/city in which the HQ would be located, there may be further financial incentives offered either as one time contributions to defray the transition costs or as on-going financial support for a period of time. An open and competitive process may offer the best possible opportunity for such incentives to be secured.

Indirect Savings or Additional Resources

There may be some savings which are not directly attributable to reducing separation costs or ongoing running costs, but as a result of this flexibility gained by having an independent entity allow for overall financial benefits

For example, if a legal Entity provided the only viable opportunity to properly mitigate risks of currency exchange than it's possible that protecting the majority of GPE pledges from even a one percent appreciation in the US dollar alone could be worth more than the entire cost of investment/transition and any incremental recurrent costs combined.

In addition, the flexibility to open bank accounts and customize agreements particularly with private foundations, private sector, high net worth individuals, and to facilitate contributions from the public if so desired could also generate additional income for GPE that could reduce or even outweigh the separation/recurrent costs created.

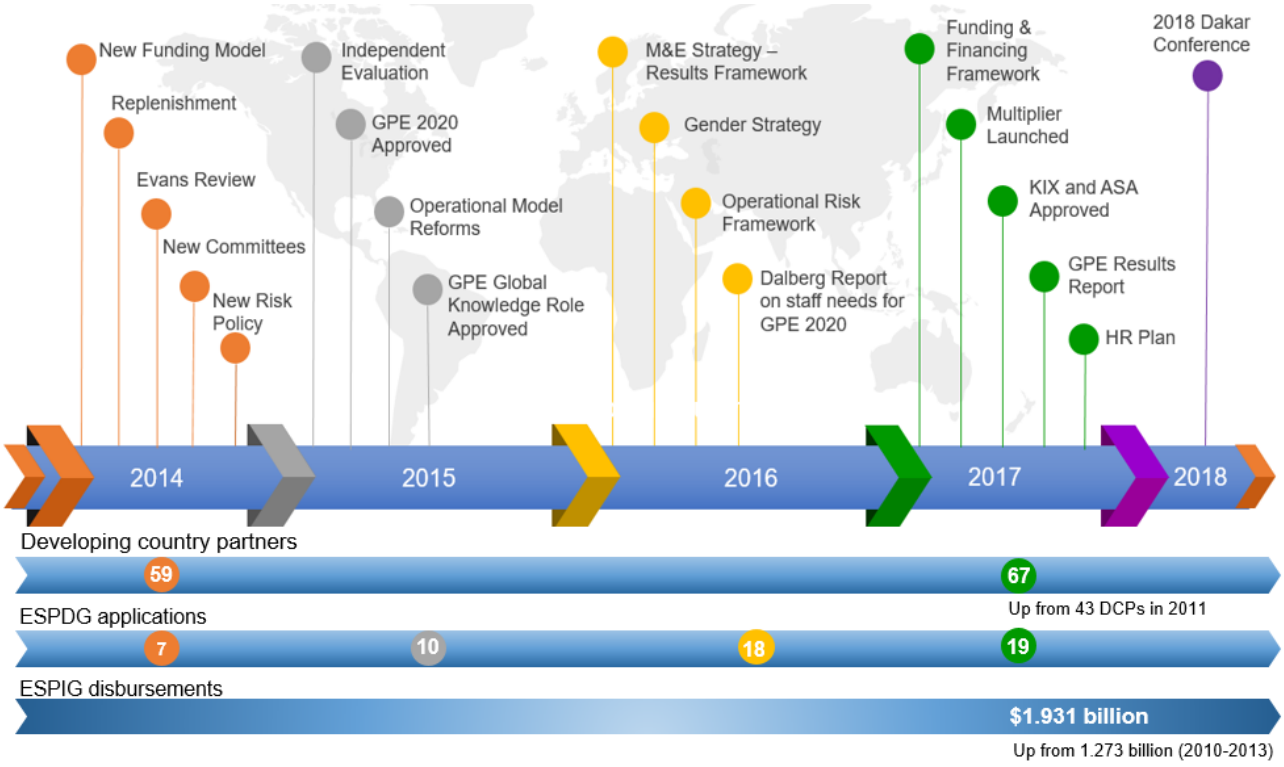
Annex 5 - Overview: GPE evolution 2014-2018

The following tracks some of the key elements that have shaped the Partnership over the past four years into what it is today. It seeks to respond to a request from a Board discussion in December 2017 to provide an 'historical' overview of how the Partnership has evolved as background information and part of the report on the ***Efficient and Effective Partnership study***, undertaken by the Oxford Policy Management.

Introduction

The Global Partnership for Education (GPE) has evolved significantly over the past four years, as it embarked on a set of key reforms to its business model and operational model, the Secretariat, and its governance structures. These reforms paved the way to the **GPE 2020 Strategic Plan**, which covers 2016 to 2020, and outlines three goals[6] and five objectives[7] positioning GPE to support the achievement of SDG4. The strategy is supported by a financing and funding framework (FFF) and significant resources have now been pledged to implement the strategy.

The figure below illustrates chronologically some of the key elements and decisions that have marked the *'GPE evolution'*, and which are traced and explained in more detail in the following sections. It also captures overall evolution in DCPs, support to ESPs including ESPDG and ESPIG disbursements.

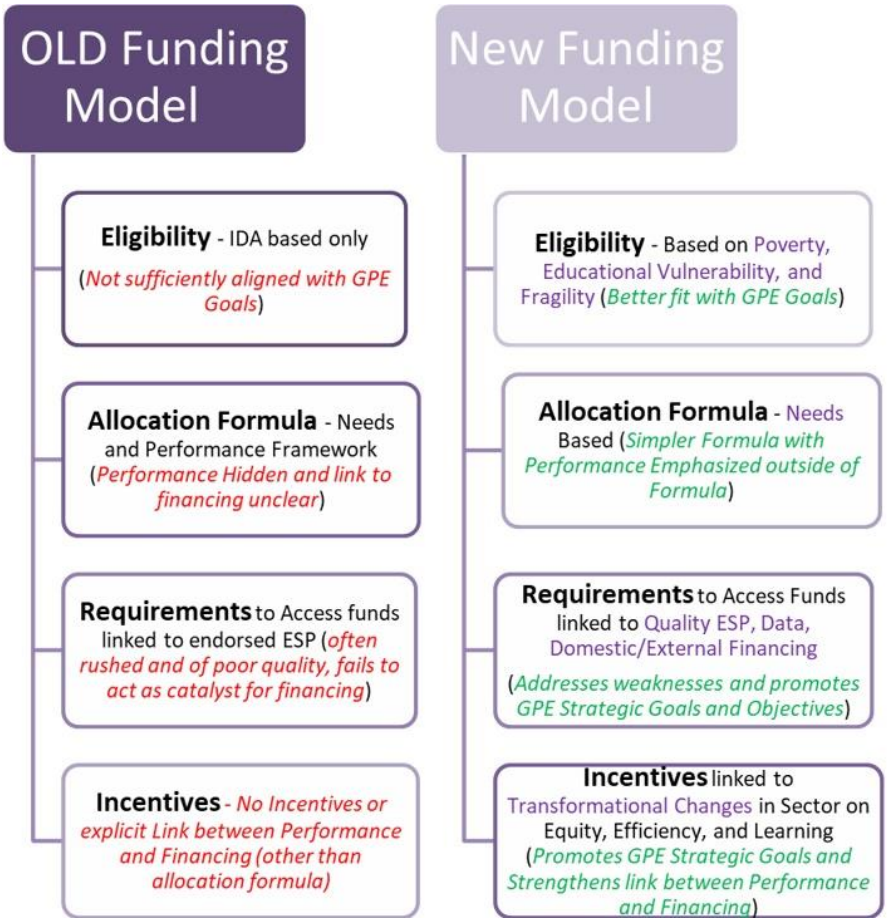


[6] (1) Improved and more equitable learning outcomes, (2) Increased equity, gender equality and inclusion, (3) Effective and efficient education systems

[7] (1) Strengthen education sector planning and policy implementation, (2) Support mutual accountability through inclusive policy dialogue and monitoring, (3) Ensure efficient and effective delivery of GPE support, (4) Mobilize more and better financing, and (5) Build a stronger partnership

2014 – Key Changes

The "**New Funding Model**" is designed and approved in advance of the second replenishment in June 2014. It provides a more robust model and improved upon the first model specifically regarding quality of education sector plans, data, and domestic financing. The new funding model also introduces a results-based variable part that focuses on equity, efficiency, and learning linked to the sector plan.



Related and other milestones during this period include:

- **Second Replenishment** – A total of $2.2 billion is pledged for a period of 4 years (2015-2018) but revised down to $1.8 billion after impact of donor conditions and foreign exchange losses factored in. $1.3 billion of this amount was paid over 3 years (2015-2017) with the balance counted as part of Third Replenishment (2018-2020) – a total of $2.3 billion.
- **Evans Review** – This organizational review concludes that the Secretariat lacked critically needed staff resources to perform financial and grant management, provide sufficient support to a growing number of developing country partners, including leveraging technical capacity on their behalf, and to undertake appropriate quality assurance and monitoring. Board approved 14 additional positions in response to increasing headcount to approximately 78 staff.
- **Eligibility expansion plan** – International NGOs become eligible to act as Grant Agents, helping to diversify the portfolio (but requiring additional accreditation processes, standards, and more Secretariat monitoring).

- **New governance structure** - The Financial Advisory Committee is replaced by several committees: i) Country Grants and Performance, ii) Governance and Ethics iii) Risk and Finance, iv) Strategy and Policy, and a v) Coordinating Committee. Workload significantly increases as the committees fulfill their respective mandates.
- **Risk Policy** is introduced to identify, assess, and agree on mitigation actions.

2015 – Key Changes

The Board agrees to the development of an ambitious strategic plan, with the condition that **operational model reforms** be undertaken in response to the Evans review (see 2014) and the **Interim Independent Evaluation,** completed by Universalia and Results for Development (2015).

The Board establishes a Reference Group to identify solutions to i) lack of quality standards for GPE-financed programs, and ESPs ii) unclear process and criteria for SE/ME entities; iii) ambiguities around roles and responsibilities in monitoring and reporting; iv) ambiguities around the composition, and roles and responsibilities of the LEGs; v) inability to capture knowledge from GPE investments at country-level for the benefit of developing country partners (DCPs) and the broader Partnership.

This leads to the following key changes and actions:

- Adoption of quality standards for GPE financed programs;
- Collaboration with IIEP to clarify standards for ESPs (and later for TEPs) and to launch consultant training program for appraisals;
- Adoption of standard process for GA selection and minimum standards for all GAs;
- Adoption of minimum reporting standards to permit aggregated data on key grant areas across grants
- Board and committee discussion and consultation around LEGs
- Agreement on work to develop GPE knowledge sharing function (see below; related milestones)

Having adopted recommendations for the above operational model reforms (to be completed by June 2016), the Board approves the **GPE 2020 Strategic Plan**.

Related and other milestones during this period include:

- The Board endorses **GPE's global and cross-national role** as convener, advocate, broker, and funder of knowledge and best practice in areas critical to the achievement of the Strategic Goals. This leads to several knowledge and good practice exchange initiatives being established, and later to the development of the Knowledge and Innovation Exchange (KIX) as part of the FFF (see 2017).
- The Board agrees to establish a working group **on strategic financing (SFWG)** to prepare for the next replenishment campaign.

2016 – Key Changes

The Board approves the **Results Framework** and the **Monitoring and Evaluation Strategy** for GPE2020. The results framework consists of 37 indicators aligned to results statements along GPE's theory of change (ToC), 12 of which are identified as 'core indicators'. The M&E strategy aims to understand the extent to which the Partnership is achieving the objectives and to make decisions based on data.

During this period, the Dalberg is brought in to review progress on 2014 Evans organization review and confirms that **reforms of the operational model are substantially complete** with significant progress made in re-structuring the organization, emphasizing and strengthening its core functions, including:

Dalberg also assesses **GPE staffing needs** in light of GPE 2020, and sets three imperatives:

1. Strengthen the Secretariat's capacity to support country-level processes and cultivate country-level political support as the core engines through which results are delivered
2. Strengthen the Secretariat's capacity to support the Partnership's convening power, thought leadership, and advocacy as called for in GPE 2020, especially towards international and domestic resource mobilization
3. Additional investments in the core operating capacity of the Secretariat itself both to realize these strategic imperatives, but also to address core risks in the Partnership's operations.

Board approves **19 additional positions** to address the most urgent capacity gaps and reinforce core functions required to successfully support implementation of GPE 2020. Headcounts moves from 78 approved at end of 2014 to 108 at end of 2016 (4 positions being temporary posts to support replenishment surge).

The Board also requests the Secretariat with support of an external firm to complete additional analysis to identify any **remaining capacity gaps and needs of the Secretariat** to successfully support implementation of GPE 2020 and to develop a comprehensive human resources plan (see 2017, HR).

Related and other milestones during this period include:

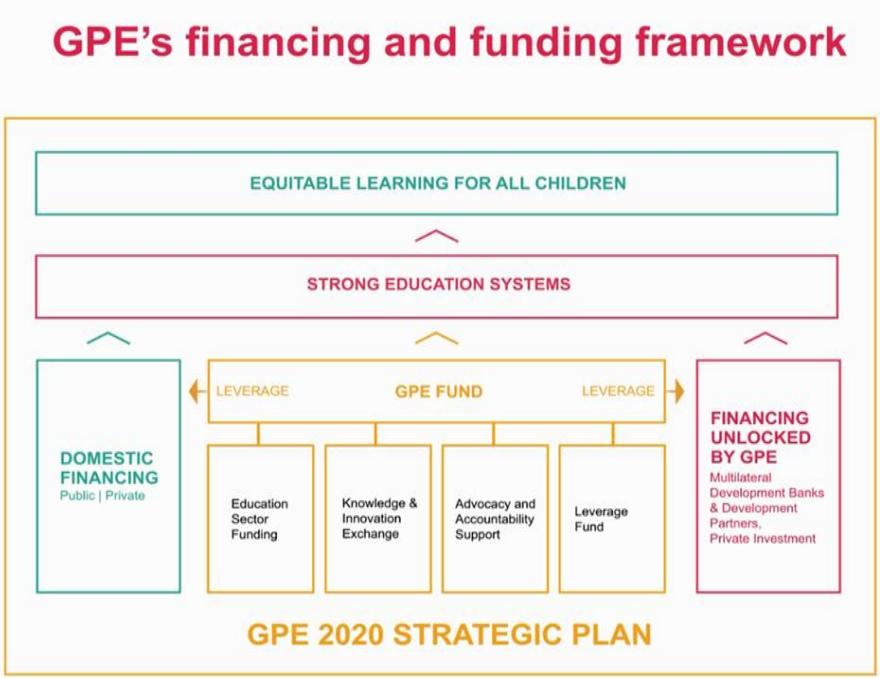
- The Board endorses SFWG approach to design **a broader mix of funding mechanisms** (see FFF below) in view of a more differentiated approach to GPE funding to achieve the goals of GPE 2020, while also providing opportunities to mobilize additional financing from a wider range of sources.
- **Operational Risk Framework** is approved - a management tool to ensure that Secretariat resources are aligned to mitigate key risks.
- **Gender Equality Strategy** is approved. The strategy aims to (i) increase gender equality in access, participation, and learning achievement for all girls and boys; (ii) improve gender equality in education systems; (iii) strengthen gender equality in education sector legal frameworks, policy and planning processes; and (iv) ensure robust execution of commitment to gender equality across the Partnership.
- **Conflict resolution procedures** is approved - for situations where partnerships may break down.

2017 – Key Changes

The SFWG completes its work of developing a proposal on eligibility for and allocation of GPE resources for the relevant components of the **financing and funding framework (FFF)** which is approved by the Board. The FFF provides GPE with an enhanced suite of capabilities to strengthen its role as a driver of systems transformation and a platform for broad-based collaboration in education – at both the country and global levels.

The FFF:

- recognizes that the ambition captured in GPE 2020 and the scale of the education challenge signal the need for significantly increased resources and more catalytic interventions to deliver results beyond what GPE and its partners can currently achieve;
- aims to better leverage GPE's role and relationships – both globally and in country – to crowd in knowledge and financing from a wider range of actors;
- seeks to stimulate stronger global and local advocacy in support of countries' ambitious efforts to realize learning outcomes for children; and
- sees GPE's role extend well beyond direct provision of technical assistance and financing.



Related and other milestones during this period include:

- **GPE Multiplier** is launched and first group of countries receive indicative allocations. The following are eligible: (i) countries eligible for education sector program implementation grants (ESPIG) that are subject to the cap of US$100 million; (ii) ESPIG-eligible countries that have an allocation of less than US$10 million or are classified as vulnerable lower middle-income countries, and (iii) non-ESPIG eligible countries that are approved as eligible for other forms of GPE funding, such as education sector program development grants.
- The Board approves the design of **Knowledge and Innovation Exchange (KIX)** and the **Advocacy and Social Accountability (ASA)**.
  - KIX sets out to meet partners' needs for better knowledge, evidence and capacity for selecting policy solutions and interventions which are critical to achieving GPE 2020. It will therefore invest in global and regional efforts that can advance relevant knowledge and innovation and translate them into strengthened education systems in partner developing countries.
  - ASA aims to enhance civil society capacity to further GPE 2020 goals in learning, equity, and stronger systems, by improving civil society participation, advocacy and efforts to ensure transparency and increased effectiveness in national educational policy and implementation.

- GPE delivers its first **Results Report**, which highlights the progress made in the first year of the GPE 2020. Overall, the Partnership fully or partly achieved milestones in 16 out of a total of 19 indicators for which 2016 intermediate targets were set.
- Secretariat produces its **HR Plan** for 2018-2020 to give Board visibility on potential resource needs to achieve the goals and objectives of the strategic plan. The HR plan outlines the potential for a significant increase in resources over a three-year period and was presented to the Board in December.
- Third Replenishment Campaign commences.

2018 – Key Changes

The Third Replenishment took place on February 1-2, 2018, in Dakar, Senegal, co-hosted by Macky Sall, President of Senegal, and Emmanuel Macron, President of France. The GPE replenishment campaign for 2018-2020 was an opportunity to raise the funds needed to implement GPE 2020 and to increase global education financing to ensure that the objectives of SDG 4 can be met.

The objectives of the GPE replenishment were to:

- increase domestic resources for education in developing countries to reach 20% of the budget;
- increase external resources to enable GPE to better support developing country partners;
- diversify donor contributions to GPE by attracting new sovereign donors, increasing contribution from existing ones and attracting new private sector and private foundations donors.

And had the following results:

- donors pledged US$2.3 billion for the GPE fund;
- DCPs pledged US$110 billion in domestic education spending for 2018-2020;
- over two-thirds of the 53 governments who pledged at the conference will have reached the goal of increasing their share of education spending to 20% of their overall budget by 2020.

Other milestones for this period will result from work currently underway, including

- **2nd Results Report** – the second results report will be published to capture for 2017-2018 achievements against expected targets.
- **Country evaluations within GPE Portfolio** – 12 summative country evaluations are being carried out (followed by an additional 10 in 2019)
- **Effective and Efficient Partnership study** –examining key actors' roles in GPE's country-level operational model towards GPE2020 delivery.
- **Review of GPE risk policies and practices** - assessing GPE's overall risk management framework in the context of its unique institutional set up and governance as a partnership.
- **HR plan –** further discussion and decision on Secretariat staffing based on HR plan presented in 2017 and additional elements
- **Institutional Arrangements** under examination, impacted by Bank Trust Fund Reform Process and changing GPE needs. Key information on GPE trajectory to be provided in June, Board retreat in November to shape direction, decisions in December.

Annex 6 – Role of the GPE Secretariat

The Table below sets out the role of the GPE Secretariat per the Charter with a corresponding column that the Secretariat prepared to outline some of the key activities currently performed to fulfill that role. This was an input into the effective and efficient partnership review

Text in GPE Charter	Secretariat Activities
Roles and Responsibilities ***4.4.4 The Secretariat, led by the Chief Executive Officer, has the following roles and responsibilities:***	
a) Providing support to the partnership, the chair, the Board, Board committees, working groups and task teams to help them fulfill their roles and responsibilities, including through the support to the developing country partners constituencies, and maintain progress toward the strategic objectives of the Global Partnership for Education and the Sustainable Development Goal 4, in particular by:	
Providing advocacy for global education.	• Through GPE replenishment campaigns and financing conferences ($110 billion in domestic financing pledges and an initial $2.3 billion for GPE Fund). • Through quality communications, both print and digital (website/social media presence) and media relations. • Through participation in major global events and technical forums. • Through engagement with key stakeholders, including influential individuals and advocacy partners. • Through the design and implementation support of a new Advocacy and Social Accountability (ASA) mechanism.
Providing oversight of the efficient and effective expenditure of GPE resources with appropriate safeguards and accountability and reporting thereon.	• Through developing minimum standards for Grant Agents and carrying out accreditation against those standards. • By reviewing audit reports and implementation progress reports and following up with Grant Agents to verify all significant issues have been satisfactorily addressed. • By ensuring compliance with GPE's misuse of funds policy, advising grant agents on reporting processes and requirements, and coordinating communications to the Board, and following up to ensure successful resolution of any identified cases. • By developing a more formalized approach to the consideration of value for money. • By complying with all applicable policies with respect to the use of funds entrusted directly to the Secretariat and reporting to the Finance and Risk Committee and Board.

	• By developing for Committee and Board approval, an eligibility and allocation framework, and regularly reporting on the availability of funds for allocation.
Providing monitoring of the results at the country and global levels, in line with GPE strategies, objectives and policies.	• Through the development of a Results Framework for GPE's Strategic Plan 2020. • Through compilation and processing of data and development of an annual *results report* against that framework. • Through compilation of grant data and development of an annual *portfolio review report* on the status of all GPE grants. • Through the development and implementation of a Multi-Year *Monitoring & Evaluation strategy* with significant numbers of summative and formative evaluations, including many country level evaluations. • Through regular missions to developing country partners and close engagement with Coordinating Agencies and Grant Agents. • Through active participation in joint sector reviews. • *(See also point vi below).*
iv. Providing quality assurance review (QAR) of grant applications.	• **QAR I (in-country mission by the Secretariat)** - Review of the Grant Agent selection process; identified scope of work described in the program outline, developed by the government and the Grant Agent in consultation with the LEG; and the government's plan for meeting the GPE funding model requirements for the fixed part of GPE funding. Preparation of review of the requirements by the GPC to give early feedback to countries on the path to success for meeting the requirements. • **QAR II (document-based review)** - Review of the draft program document, including the program design, budget, monitoring and evaluation; results framework; and fiduciary arrangements. Proposed strategies, indicators and disbursement and verification mechanisms for meeting the requirements of the variable part of an ESPIG are also assessed. • **QAR III (document-based review)** - Final review of the program document and the application form before submission to GPE's Grants and Performance Committee. QAR III assesses the overall application including the funding model requirements and program quality. The Grants and Performance Committee makes a recommendation to the Board. If the application is approved, the Secretariat advises the government, grant agent and coordinating agency of the Board's allocation decision, the expected time frame for signing a grant agreement, and the start date of program implementation based on the application and recommendation.

	• The Secretariat, through a cross-Secretariat committee, also reviews small grant applications – Education Sector Plan Development Grant (ESPDG) and Program Development Grant (PDG) - for which it has delegated authority from the Board to approve, along with applications to restructure or extend existing programs. • By approving revisions to ESPIGs delegated to the Secretariat, and quality assuring revision requests for consideration by the Grants and Performance Committee in accordance with the ESPIG Policy.
v. Providing oversight of the implementation of the risk management policy and operational risk framework.	• By identifying, assessing, mitigating, monitoring, and reporting on risks at the corporate level on a semi-annual basis • Through the development and implementation of an operational risk framework that reviews risks on a country by country, and grant by grant basis to help guide the internal prioritization of Secretariat resources while avoiding duplication with Grant Agents own risk management processes.
vi. Monitoring and evaluating GPE-funded grants	• Through regular country missions and dialogue with the Coordinating Agency, LEG and other partners. • Through ongoing close cooperation and dialogue with Grant Agents. • Through reviews and follow up on all grant progress reports and completion reports. • Through country level evaluations in M&E Strategy (see iii above). • Through the annual portfolio review (see iii above). • Through the annual GPE results report (see iii above).
b) Leading fundraising efforts for the GPE Fund, and supporting increases to domestic and external funding for education	
	• Through GPE replenishment campaigns and financing conferences ($110 billion in domestic financing pledges and an initial $2.3 billion for GPE Fund) • Through continuous engagement with existing and potential donor countries to advocate for increased financing to GPE and for education. • Through engagement with Developing Country Partner governments through GPE's inclusive governance processes, through global and regional events, to country visits, through discussions on the development of education sector plans, joint sector reviews, and through discussions on meeting the GPE

	funding model requirements related to domestic financing commitments. • Through efforts to mobilize the collective strength of the partnership to advocate for increased education financing from all sources. • Through efforts to ensure that the GPE brand continues to develop. • By maintaining a strong website, and online media presence. • Through the development and dissemination of communications products highlighting the work of GPE.
c) Working with all partners to promote effective communication of education data and results reporting at the global level and to the media.	
	• Through dissemination of GPE's results report on the website and to partners. • Through conducting secondary analysis of challenges and issues raised in the results report and publishing these for use by the partnership. • Through various digital and printed communications products. • By maintaining a strong website, and online media presence. • Through participation in major global events and technical forums. • Through implementation support to civil society through the civil society education fund, and under the newly designed advocacy and social accountability mechanism. • Through collaborating on data with key organizations such as UNESCO Institute of Statistics.
d) Providing support to the LEG and coordinating agencies to strengthen the in-country process, in particular in the following ways:	
i. Taking the lead in collecting information on the country processes leading to ESP endorsement, and sharing this with other GPE partners.	• Through engagement and guidance on i) a credible, endorsed education sector plan or transitional plan, ii) commitment of governance and partners to finance the plan; and iii) availability of critical data, or a strategy to develop capacity to produce critical data, and summarizing results of this dialogue at the ESPIG QAR III phase to facilitate GPC and Board decisions. • Through regular communications with partners and sharing Results report data, evaluations, case studies/good practices including through the Results Report and Portfolio Review
ii. Participating in and providing quality support to the planning	• Through disseminating and advising on application of the Education Sector Plan guidelines developed by GPE in

process and monitoring results through joint sector reviews.	conjunction with UNESCO and the International Institute for Educational Planning. • Through support to countries to navigate the process to apply for an Education Sector Plan Development Grant. Through the development and dissemination of Independent Appraisal guidelines for education sector plans. • Through support to policy dialogue through the LEG during the planning process, including discussion of independent assessment results prior to its finalization and endorsement. • Through the development and dissemination of evidence based guidance on gender responsive education sector plans. • Through participation in joint sector reviews and development of evidence-based guidance and practical tools to support and monitor joint sector review effectiveness.
iii. Promoting and supporting LEG processes that include all categories of GPE partners.	• Through participation in LEG meetings during in-country missions. • Through close engagement with coordinating agencies. • Through discussions with members of the LEG. • Through promoting the participation of civil society and teacher representatives in the LEG. • Through the development of guidance for LEGs including effectiveness principles, practical guidance and tools. • Through collecting information on JSRs for the Results Report including information on the inclusion and engagement of different categories of stakeholders.
e) Promoting and supporting effective exchange of knowledge and good practice across the partnership.	
	• Through facilitating the design and implementation of the knowledge and innovation exchange (KIX) mechanism. • Through support to the implementation of specific thematic initiatives under the KIX mechanism (Assessment for Learning, Better Early Learning Developments at Scale, and Gender Responsive Education Sector Planning). • Through organizing and facilitating opportunities for south-south learning through semi-annual developing country partners meetings, and various other workshops and exchange opportunities between countries. • Through the development and dissemination of various tools, guidelines, and publications.

f) Collecting, monitoring and sharing among partner global and country-level information on education financing.	
	• Through compilation of domestic finance data at the time of ESPIG requests in fulfilment of the funding model • Through the preparation and dissemination of GPE's annual results report and secondary analysis of domestic financing data in collaboration with partners. • Through implementation support through the civil society education fund for monitoring of domestic financing. • Through the publication of pledges on domestic financing made by GPE partner countries through GPE's financing conference.
g) Providing support to the Board and its committees in:	
i. Helping coordinate the efforts of GPE to address issues and priorities related to policy, data, capacity and finance.	• Through the development of policies and evidence based policy research for consideration and recommendation by the Strategy and Impact Committee and adoption by the Board, such as the Gender Equality Policy and Foundations Engagement strategy. • Through the implementation of the Monitoring and Evaluation Strategy including annual results reporting and country/thematic evaluations and regular discussion by the relevant committees. • On an annual basis, the GPE Secretariat prepares close to 140 papers or presentations to the GPE Board and/or Committees in order to fulfill the tasks set out by the Board
ii. Facilitating the sharing of lessons learned and data collected from developing country partners within GPE.	
iii. Exercising other tasks as required to carry out the purposes of the Global Partnership for Education as determined by the Board.	