OPERATIONAL FRAMEWORK FOR REQUIREMENTS AND INCENTIVES IN THE GPE FUNDING MODEL

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GPE Transforming Education

OPERATIONAL FRAMEWORK FOR REQUIREMENTS AND INCENTIVES IN THE FUNDING MODEL OF THE GLOBAL PARTNERSHIP FOR EDUCATION[1][1]

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PART 1: INTRODUCTION AND PURPOSE

The overarching objective of the *Operational Framework for Requirements and Incentives in the Global Partnership for Education Funding Model* (Funding Model) is to improve the Global Partnership for Education's (GPE) achievement of its strategic priorities. By strengthening requirements for accessing GPE funding and introducing a sector-level results-based approach to improve performance, the funding model provides strengthened leveraging mechanisms for greater impact and builds on the previously developed results-based financing concept.

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

The **requirements** call for evidence-based education sector plans that provide relevant and credible strategies to improve access and learning for all children, recognizing that there are significant gaps in good quality education provision and interventions required to keep girls and boys in school, in particular for the poorest children but also for children (especially girls) in

[1] The content of this document is extracted from Board paper BOD/2014/05 DOC 03 – Operational Framework for Requirements and Incentives in the Funding Model of the Global Partnership for Education. Subsequent revisions to the Funding Model have been incorporated.

marginalized communities, girls and boys with disabilities, and girls and boys affected by crisis. Education sector plans must be backed by strong government and development partner commitment to implement and finance the actions needed to achieve progress. Finally, in order to define and measure this progress, the requirements call for improved data strategies to provide essential information on the education sector in general and marginalized groups specifically, on learning outcomes, and on education financing. This will require the inclusion of data from outside the education system.

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

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

The Funding Model seeks to strengthen existing country-led processes rather than adding new ones. Its success in part depends on related efforts and support, first and foremost through enhanced country-level processes, but also directly from GPE through the education sector plan development grant, strengthened education plan preparation guidelines and Secretariat technical support to developing country partners and other country-level partners. Based on these considerations, this document lays out an operational framework that explains how the requirements and incentives work. Step-by-step guidance for countries is set out in the *Education Sector Program Implementation Grant Guidelines*.[2]

The following sections should be seen in light of the criteria for eligibility for funding and the allocation formula used to determine eligible countries' share of available GPE resources. In terms

[2] In case of any discrepancy between the *Education Sector Program Implementation Grant Guidelines* and the *Operational Framework for Requirements and Incentives in the GPE Funding Model* the latter shall govern.

of eligibility to access ESPIG funding,[3] this includes criteria related to Poverty, Education Vulnerability, and Fragility. The allocation formula focuses on "Needs" and is used to calculate eligible countries' maximum country allocation (MCA). Whether a country is allowed to apply for the full MCA will then be dependent on meeting the requirements and incentives elaborated in the following sections. The "Performance" element has been explicitly included in these requirements and incentives, to ensure that the link between GPE funding and performance is far more prominent than in the past, and thus promote a sound and innovative results-based approach in the education sector.

PART 2: APPLICABILITY

All provisions in this policy apply to all ESPIGs approved from Round 1 of 2015[4] submitted under the requirements and incentives of the Funding Model, and all Multiplier grants.

The regulation of approved ESPIGs and Multiplier grants is governed by the *Policy on Education Sector Program Implementation Grants*.[5]

PART 3: REQUIREMENTS, VERIFICATION AND MONITORING

Requirements: Countries eligible to apply for an ESPIG will need to fulfil the three requirements elaborated below by the time an application is submitted to the Secretariat. Countries that fulfil all three requirements may apply for the fixed portion of the maximum country allocation (MCA).

The requirements are related to the broader education sector development and monitoring process. Developing country partners may choose to improve current or future capacity to fulfil the requirements through specific activities proposed in an application for an education sector plan development grant (ESPDG) or ESPIG.

The requirements do not mean that developing country partners must align their ESPIG cycle to their education sector plan implementation cycle. However, aligned funding cycles tend to contribute to overall aid effectiveness, and such alignment is therefore encouraged.

[3] The Board may revise eligibility for funding and allocation formula from time to time. Most recently, the Board revised these in March 2017 in decision BOD/2017/03-07.
[4] In BOD/2014/06-06 – Indicative Allocations List 2014, eligible countries submitting an ESPIG application in Round 1 of 2015 were allowed a choice whether to submit under the results-based funding model approved in BOD/2014/05-02 or the previous funding model.
[5] https://www.globalpartnership.org/content/policy-education-sector-program-implementation-grants

Requirement 1:

A credible[6], endorsed Education Sector Plan or Transitional Education Plan

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

There are two alternatives to fulfilling this requirement:

(A) A credible ESP or equivalent[7], including a costed multi-year implementation plan, must be endorsed by the development partners no later than three months before submission of an ESPIG application. However, the requirement of a credible ESP or equivalent may be waived in situations where an existing endorsed, quality ESP is current and under implementation, and the ESP is being monitored and reported on regularly, including through effective joint sector reviews. In this case, countries must have in place a costed multi-year implementation plan that covers at least the first two years of the grant cycle or a functioning annual planning and budget process, preferably with links to a medium-term expenditure framework.[8] (See Annex A for operational details)

If a government education sector plan exists but has not been endorsed by partners, development partners may conduct an appraisal and endorse the plan at any time during its implementation.

(B) In fragile and conflict-affected states, a costed transitional education plan (TEP) may fulfil the requirement. It must be endorsed no later than three months before submission of an ESPIG

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

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

[8] Per GPC decision on May 22, 2019 and Board decision BOD/2019/06-05

application. A TEP may not cover all sub-sectors but should cover medium-term education sector priorities at least in basic education. A TEP should include a process to conduct sector analysis and elaborate a full ESP.

Requirement 2:

Evidence of commitment to finance the endorsed ESP or TEP

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

(A) **Government Commitment:** When submitting an application for an ESPIG, the government must specifically confirm its commitment to finance the ESP or TEP. In countries where 20 percent or more of domestic resources are allocated to education, GPE seeks commitment to at least maintain current levels; while for countries where current levels are lower than 20 percent, GPE seeks government commitment to increase the domestic share of resources to education progressively towards 20 percent.[9] GPE recognizes that share of domestic financing and its growth path might be more limited for fragile situations.[10] GPE will assess the growth path based on the specific context of a given country, looking for a positive trend towards increased domestic finance allocations.[11]

In countries that have not reached Universal Primary Education, GPE seeks commitment to allocate at least 45 percent of the education budget to primary education within the grant period. In addition to financial commitments, the application form should make reference to legislation that underpins sector plans and policies.

(B) **Development Partner Commitment:** The development partners' endorsement, which must be communicated to the Secretariat, signifies commitment to predictable and effective aid aligned to the government priorities defined in the ESP or TEP, and will normally cover intended financial support to the ESP or TEP as reflected in the plan's financial framework[12]. The *additionality* of GPE funding will be demonstrated through the data provided in the ESPIG

[9] In its authority delegated by the Board in BOD/2017/03-06, the Grants and Performance Committee at its October 23-25, 2017 meeting determined to use the following formula to assess the commitment: total (capital and recurrent) education expenditures divided by total expenditures excluding debt service. The formula is similar to the formula used to inform Indicator 10 of the GPE Results Framework. Additional calculations around recurrent expenditures and taking into account debt burdens will be considered for a more nuanced perspective.

[10] As per the World Bank Harmonized List of Fragile Situations and/or UNESCO-Global Education Monitoring (GEM) list of conflict-affected and fragile states

[11] Further guidance on implementing the funding model in fragile and conflict-affected states may be found in the *Operational Framework for Effective Support in Fragile and Conflict-Affected States*.

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

application form on sector financing (where GPE funding as a percentage of external financing is projected), which should correspond to external commitments expressed in the ESP or TEP budget confirmed through endorsement. Trends in external financing to education will be used to assess and monitor development partner commitment to additionality.

Requirement 3:

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

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

The requirement is divided into three sub-components:

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

(B) Countries applying for an ESPIG must also be able to provide *basic financial and education data* disaggregated by gender and socio-economic status,[13] to monitor sector progress and report critical data to UNESCO Institute for Statistics (UIS) for global monitoring of education progress; OR *a time-bound plan to develop or strengthen the national education monitoring and*

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

information system (EMIS) to produce reliable education and financial data and reporting systems for improved education planning and management.

(C) Countries applying for an ESPIG must have *a system or mechanisms to monitor learning outcomes,*[14] such as a national learning assessment system, OR *a time-bound plan to develop mechanisms to monitor learning outcomes*.

Where financing to implement a time-bound plan within the agreed timeline is not identified by the time of the application, the ESPIG must finance the unfinanced portion of the data plan.[15]

Verification and monitoring of requirements

Compliance with the above requirements is ***verified*** through the Secretariat quality assurance review (QAR) process accompanying the grant application process. Fulfilling the requirements allows countries to apply for the fixed part of the MCA. Approval of an ESPIG will continue to depend on the quality of the application and decision by the Board or Grants and Performance Committee (depending on the current level of Board-delegated authority).

Commitments and progress on requirement-related actions are ***monitored*** throughout ESP or TEP implementation, by the LEG through joint sector reviews. As such, the LEG has the primary role for sector monitoring and this country-level monitoring mechanism remains core to the GPE model. At the global level, domestic financing data is monitored through the GPE results framework, which feeds into the GPE risk framework, and is shared at the aggregate level through the Results Report. In addition, the annual GPE Grant Performance Report will track progress on a country-by-country basis using a traffic light approach.

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

- The first phase of the QAR, at the initial stage of the grant application process, will include a discussion in the LEG of the country's readiness to fulfil the requirements. A *requirements matrix* is subsequently prepared at country level to demonstrate how the country is positioned to meet the requirements. The matrix will include identification of milestones to help address any identified gaps during the program development process. The requirements matrix is assessed by the Secretariat. In case of any issues, the matrix is then discussed with

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

[15] Per Board decision BOD/2017/03-06 5.b.ii; effective from Round 1 of 2018.

the GPC, resulting in recommended actions to the LEG to strengthen the application as appropriate.

- The second phase of the QAR will continue to principally focus on the quality of the draft program, but will also assess progress with regard to milestones for meeting the requirements as an element of readiness to meet application deadlines.
- The third phase of the QAR will verify whether all requirements have been fulfilled. The Quality Assurance Review Phase III report prepared by the Secretariat will include a section on the requirements to inform the discussion of the grant application.

Progress on data strategies and the implementation of ESPs will normally be monitored by the LEG through the country's joint education sector review or similar country-owned mechanisms for monitoring the implementation of sector plans. The Secretariat will keep track of whether countries undertake joint annual sector monitoring, and provide guidance on the involvement of Ministries of Finance where this is not already the case. The Secretariat will participate in joint sector reviews whenever possible and/or will review joint sector review reports/aide memoires with particular attention to progress related to the requirements.

Progress on financial commitments made by the government will be monitored at the global level by the Secretariat: on a country-by-country basis through the Operational Risk Framework and with an overview reported in the GPE Grant Performance Report using a traffic-light approach based on data collected for the GPE Results Framework. The Secretariat will engage with the government, including the Ministry of Finance, and LEG in cases where countries are behind on delivering on commitments (yellow and red-light countries).

Assessment of delivery on domestic resource commitments and need for justification if commitment is not met.

The Secretariat will assess delivery on domestic resource commitments during an *existing* ESPIG as part of its quality assurance process for the *next* ESPIG. The assessment will be upstream, starting in the early stages of the application process for the next ESPIG. The assessment will include specific attention to (1) budget expenditure relative to commitments made in fulfilment of the funding model requirement for the previous ESPIG for countries; (2) analysis of causes in the event commitments were not met. Where there are justifiable circumstances, the government with support from LEG members will be responsible for providing sufficiently strong justification for not delivering on commitments linked to the previous grant. The Secretariat presents its final assessment through the quality assurance review phase III (QAR III) report on the new grant.

PART 4: CONSEQUENCES OF NOT MEETING DOMESTIC FINANCING COMMITMENTS

Where the justification by the government reveals circumstances related to capacity gaps or inefficiencies, the Secretariat/GPC may decide or recommend to the GPC/Board (depending on the current level of Board-delegated authority) that the budget of the new grant specifically address gaps that hinder sufficient and efficient resource use, if relevant.

In cases where delivery on commitments has not been met and where there are no convincing justifiable circumstances, approval of the new grant may be delayed until corrective measures are taken, or the new grant may not be approved. These potential actions will be signaled early in the process, during QAR Phase I, and will consider the primary objective of leveraging increased financing for education.

PART 5: OPERATIONALIZATION OF THE INCENTIVES-BASED PART OF THE MAXIMUM COUNTRY ALLOCATION (VARIABLE PART)

5.1 BASIS FOR ACCESSING THE INCENTIVES-BASED PART OF THE MCA

Access to the variable, performance-based share of the MCA will depend on evidence of actions and corresponding indicators confirming transformative strategies to improve equity, efficiency and learning outcomes in basic education. Depending on the context and capacity levels, indicators can be process, outcome or output-related.

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

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

The issue of student learning outcomes has already been addressed as part of the data requirements in Section 3. While the requirements address *data* on learning outcomes, the incentives address *actions* to improve learning outcomes, incentivizing strategies to manage and remedy learning issues. Funds would be linked to results in the form of improvements in student learning (e.g. percentage of students achieving literacy or numeracy standards as defined by the country), or to proxy outputs linked with an evidence-based theory of change to improve learning (e.g., number of instructional hours; availability of instructional materials; textbook ratios for reading and math; percentage of qualified teachers).

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

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

5.2 PROCESS FOR ACCESSING THE VARIABLE SHARE OF THE MCA

To access the variable portion of the MCA, developing country partner governments in consultation with their LEG members identify key strategies or policies in the three areas of equity, efficiency and learning outcomes, deemed likely to lead to substantial progress in the medium-term, and hence to be transformational (ref. Section 5.1). The process is as follows:

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

(a) For countries developing new ESPs or TEPs: Guidance on developing relevant sector strategies is integrated in the *Guidelines for Education Sector Plan Development and Appraisal*. A specific section of the appraisal guidelines in the form of a three-tiered screening on equity, efficiency and learning explicitly assesses the credibility, relevance and robustness of strategies to address these. Based on the ESP or TEP and its Appraisal, the LEG agrees on strategies or actions and corresponding indicators that are proposed as the basis for accessing the variable part of the grant.

(b) For countries applying for an ESPIG based on a previously endorsed ESP or TEP (i.e., no new ESP or TEP will be developed), the LEG conducts or commissions an assessment on the strength of ESP or TEP strategies for equity, efficiency and learning outcomes prior to QAR phase

I, using the screening approach from the appraisal guidelines. The conclusions should be discussed by the LEG to agree on key strategies or actions and indicators that constitute a "stretch."

The justification for the proposed actions and indicators is included in the ESPIG application and must include a results chain showing that the selected actions are based on a credible theory of change. The ESPIG application explains the selected actions, why they are expected to have the desired impact (with reference to the appraisal and any relevant studies or evaluations), references to their integration in the multi-year implementation plan, and means of verification. As such, the selected actions and indicators are subject to the Secretariat quality assurance review along with the application as a whole.

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

5.3 DEFINITIONS OF EX-POST AND EX-ANTE ARRANGEMENTS

An ex-post approach to performance-based financing is preferred, but conditions for such an approach to succeed should be analyzed and criteria for using an ex-ante approach should be defined.

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

In comparison, an ex-ante arrangement means that the variable allocation is not linked to actual attainment of results. The approval of the total allocation (fixed and variable) occurs prior to implementation. This reduces the incentivizing nature of the variable tranche and will only be accepted in exceptional cases (see Section 5.5).

5.4 CONDITIONS FOR EX-POST OR EX-ANTE ARRANGEMENTS

(This section is based on an analysis of selected experiences from performance-based financing in the education and other sectors in 2014)

(1) Some ex-post arrangements require strong capacity, including fiduciary capacity, within the developing country partner education system. Depending on the mechanisms used, ex-post arrangements may not be appropriate where the primary challenge is capacity.

(2) Ex-post arrangements require clear buy-in from the recipient country, with mutual trust between payer and recipient.

(3) Ex-post arrangements require sufficient capacity within the grant agent (and for GPE purposes, within the LEG) to identify, negotiate and formulate the arrangements and agree on targets that are neither too challenging nor too easy to attain.

Ex-post arrangements will be organized in a way that takes these challenges into account yet is feasible in most contexts. The ex-post arrangements described in Section 5.5 are adapted to the level of capacity of countries, the absorption capacity of the system and the implementation arrangements used. Further adaptation to contexts—in particular fragile contexts—is possible by basing the release of the variable tranche on process indicators (such as the adoption of a policy) or output indicators (such as the deployment of a given number of teachers to marginalized areas). In contexts with a higher level of capacity, outcome indicators should be used (such as measurable progress in learning outcomes).

Since the proposed arrangements for ex-post financing (combined with context-appropriate actions and indicators) should present viable conditions for most contexts, the use of ex-ante approaches is the exception and needs pre-clearance by the GPC. The ex-ante modality described in Section 5.5 presents criteria for using this approach.

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

5.5 MODALITIES FOR THE RELEASE OF THE VARIABLE TRANCHE

Whether ex-post or ex-ante, the specific arrangements are made in agreement between the government and grant agent, approved by the LEG with due consideration of GPE conditions for ex-post or ex-ante arrangements, and assessed through the Secretariat quality assurance review process.

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

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

The grant agent in collaboration with the LEG monitor progress on the agreed indicators for the variable part of the grant according to agreed timelines. If progress is considered satisfactory, the variable tranche is released. If progress on the indicators is found to *not* be satisfactory, only the fixed part of the grant is disbursed to the developing country partner. Since conditions for the release of the variable tranche are specified in the grant agreement between the government and grant agent, the main adjudicator is the grant agent, whereas the LEG's role is to ensure transparency and accountability.

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

Ex-ante modality: If an ex-post approach is not workable in a given context, the government and development partners must provide a justification for ex-ante at the time of QAR Phase I. This justification must address (1) the selected strategies on equity, efficiency and learning

outcomes that would lead to the ex-ante release of the variable tranche; (2) a clear justification for why the release of the full tranche would be required within the original three or four-year period of the grant and could not be added as an add-on tranche. The justification must include evidence of the additionality of GPE funds; (3) a budgeted plan for improving national systems to facilitate more aligned education support in the medium-term. ESPIG funds may be programmed to finance this plan.

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

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

PART 6: SIZE OF THE VARIABLE PORTION OF THE MAXIMUM COUNTRY ALLOCATION

The variable part is applicable to all countries, and needs to be at least 30 percent of the grant allocation, with the following exception:

a) Countries with MCAs of US$5 million or less may choose whether to adopt an ex-poste variable part, while these countries are encouraged to adopt a strong result-based approach. [16]

The existence of a variable part is based on the total value of the grant application and not the individual MCA(s) in the case of applications accessing multiple MCAs.[17]

In cases where countries have received accelerated funding, the size of the variable part is based on the remaining MCA.[18]

[16] Per Board decision BOD/2018/06-08: Reducing Transaction Costs and Improving Efficiency of Applications for ESPIGs
[17] Per Board decision BOD/2018/12-05-Application of variable part for small Multiplier grants and combination grants
[18] Per Board decision BOD/2017/12-05¬Accelerated Funding and the Size of the Variable Part of the ESPIG

ANNEX A – PARAMETERS FOR EXCEPTIONS TO ESP REQUIREMENT[19]

a. Adjustments for waiving the requirement for developing a new ESP or assessing that the current one is still valid (for applications based on an existing ESP):

1. Determining that an ESP is current and under implementation to meet requirement 1:

Period	Requirements
Most recent plan extends into the grant period	ESP has been appraised and endorsed at the time of preparation
	Government still considers the Plan valid
Plan extends less than two years into the grant period	Government provides an update on plan for developing the next ESA and ESP (for e.g. in the form of a roadmap)
ESP period extends five years or more beyond the time of application	• JSR process to focus on ESP implementation and adjustments needed or; • A mid-term review at an appropriate time to assess the continued relevance of the ESP and propose revisions to drive successful implementation. **With the new JSR window in the education sector plan development grant (ESPDG), GPE support would be available for either option.*

2. Determining that an ESP is under implementation, monitored and reported on

Context	Means of Verification (MoV)
Regular reporting on ESP is available	• Joint Sector Reviews • ESP updates • Implementation plans • Implementation reports • Aide-memoires from JSRs • Other documents produced as part of a regular sector monitoring mechanism
Regular reporting is not available	• A government-led, LEG-supported, mid-term (or periodical) review report inclusive of a backward-looking review and forward-looking recommendations and/or • Existence of regularly updated implementation plans.

b. Adjustments for waiving the two-year costed implementation plan requirement (for countries with functioning planning systems):

Note: This would not detract from the expectation that ESPs are adequately costed and prioritized, which typically requires that plans have sufficient details on planned actions/activities over multiple years.

[19] Excerpted from GPC/2019/10 DOC 23 – ESP Requirement

Assessing the existence of a functioning annual planning and budget process

Basic Requirement	Additional requirements
Annual implementation or operational plans produced for at least two years prior to the ESPIG application and for the current year, if available	Annual plans are: • Broadly consistent with ESP priorities and programs; • Partially or fully linked with the annual budget process and, if it exists, a longer-term framework, such as a sector Medium-Term Expenditure Framework (MTEF); • generally prepared in a timely manner; and; • subject to regular sector monitoring. *Information may be requested through an annex to the funding model requirements matrix applicable only to countries seeking this waiver, to avoid increasing transaction costs.

If the assessment of the functionality of the budget and planning process identifies improvement needs, the government with support from the LEG may provide a plan to strengthen their annual planning process in lieu of preparing a two-year implementation plan. This would be in line with the Effective Partnership Review principles of government ownership, rebalancing the GPE model, and ensuring transactions add value.

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