BOD/2020/05 DOC 02
Meeting of the Board of Directors
May 29, 2020
Virtual Meeting
For Decision

GPE COVID-19 Additional Financing

Please note: Board papers are deliberative in nature and, in accordance with the GPE Transparency Policy, are only considered to be public documents after their appraisal by the Board. It is understood that Board members will circulate documents among their constituency members prior to Board consideration for consultation purposes.

Recommended by: Coordinating Committee

Committee Consideration:

- The Committee welcomed the timely development of a new option to increase the overall resources available for COVID. There was a strong recognition of the importance of meeting the demand from country partners and the importance of a comprehensive response for the success of the upcoming financing campaign.
- Committee members clearly understood there were financial risks in adopting this decision, particularly in increasing the carryover and the potential this has for impacting resources available for new allocations in the next strategic plan period. It was noted that there are financial management actions that can be taken to manage the impact of these risks should they be realized, even if this may involve difficult decisions.
- Members also considered that the alternative approach to the carryover to find the resources needed to increase the COVID window would be to re-allocate funds by reducing individual country allocations for ESPIGs or Accelerated Funding that have already been announced, and this would result in disruption and delays in the development of these programs.
- Members also raised the question of whether a specific resource mobilization event would be beneficial. It was noted that the Secretariat was exploring how to raise additional resources but did not believe an event would be helpful at this time, while not ruling out the prospects of holding such an event should circumstances change.
- In considering the overall risks and benefits involved, Committee members ultimately concurred with the Secretariat's recommendation noting the need for further elaboration in the paper on the impact of re-allocating funds, the link with restructuring existing ESPIGs. The importance of the FRC continuing to monitor the overall financial position was also stressed.

Board Policy Reference: BOD/2020/03-03–COVID-19 Supporting Response and Early Recovery

1. Objective

1.1 In light of the exceptional demand from developing country partners for accelerated funding for COVID-19 response, recovery, and resilience support, the Coordinating Committee is recommending that the Board of Directors approve additional financing to the COVID-19 accelerated funding window, along with a revised allocation approach.

2. Requested Recommendation

BOD/2020/05-XX–<u>COVID-19 Supporting Response and Early Recovery</u>: The Board of Directors:

1. Refers to its decision BOD/2020/03-03 to allocate an initial amount of US$250 million from the GPE Fund for the creation of a dedicated funding window focused on COVID-19 response and early recovery (COVID Accelerated Funding Window).
2. Notes the high demand and the exceptional response from Developing Country Partners, Grant Agents, and Local Education Groups to support the development of nationally owned response plans, and grant proposals to mitigate the immediate impact of the pandemic, support education systems recovery efforts, and build resilience to respond to future outbreaks.
3. Accordingly approves an increase in the COVID Accelerated Funding Window by US$250 million to US$500 million.
4. Determines that up to US$350 million of such funds should be reserved to support those eligible countries that have not yet been approved for a COVID grant up to the ceilings set out in Annex 1 and provided they have submitted a quality grant application no later than 30 September 2020. Should an eligible country not submit a suitable application by this date, the available funds for the COVID Accelerated Funding Window will be reduced accordingly.
5. In order to make such additional financing available:
    a. Determines to reduce the funding available for the GPE Multiplier by US$50 million to a maximum amount of US$250 million for the current financing period.
    b. Agrees to increase the maximum financial carryover by US$200 million to US$950 million for the current 2018-2020 financing period based on the Secretariat's assessment that GPE is likely to have sufficient liquidity to continue to commit and disburse funds for existing and new programs through June 30, 2021
6. Requests the Finance and Risk Committee at its October 2020 meeting to consider options for presentation to the Board on how to reduce the financial carryover to maximize the funds available in the 2021-2025 period for new allocations.
7. In light of the significant demand on GPE's financial resources, stresses the importance of GPE donors fully delivering on pledges in a timely manner, and calls on new and existing donors to increase their contributions where possible, including through targeted contributions through the COVID Accelerated Funding window.

3. Background

3.1 The Board of Directors on the 31st March 2020 approved the creation of a US$250 million COVID-19 accelerated funding window focused on response and recovery efforts, of which US$225 million of these funds were to be made available for country grants in up to 67 ESPIG eligible countries. The Board recognized that there were insufficient funds available if all countries were to apply (over US$600 million required). In order to strike the right balance between answering the most pressing demands and supporting countries in formalizing their needs, the Secretariat proposed and the Board agreed that the US$250 million envelope be composed of a first tranche of US$150 million (US$25 million for Global and Regional Grants, and US$125 million for country grants) allocated on a first come first served basis, with a second tranche of US$100 million to be reserved for a needs-based criteria which would be developed for approval by the Coordinating

Committee; it was also agreed to consider the principles of fairness and equity in the allocation of funds, while not signifying an equal distribution of funding among all member countries.

3.2 As of 15th May 2020, the Secretariat has received a proposal for the global and regional grant of US$25 million and approved an initial tranche of US$7.5 million with further allocations to follow based on satisfactory completion of additional actions and progress. With respect to country level grants, the first 10 valid applications from Rwanda (US$10m), Zambia (US$10m), Ghana (US$15m), Mozambique (US$15m), Malawi (US$10m), Federal Government of Somalia (US$5.4m), Pakistan (US$20m), Madagascar (US$15m), Papua New Guinea (US$10m), and Tanzania (US$18m) account for US$128 million. In order not to exceed the available funds, and in accordance with the first come first served approach agreed by the Board, the Secretariat will limit the Tanzania program to US$15 million unless savings are identified on the other proposals. Using expedited quality assurance and review processes, the proposals were processed urgently. Five of the first ten applications (Rwanda, Zambia, Ghana, Mozambique, and Malawi) have been approved with more to follow in the coming days. A further 34 have submitted valid applications as of 15th May bringing the total value of country level grant applications received or approved to US$474 million with a high number of remaining eligible countries indicating their intent to apply before the end of May

3.3 It is quite clear that the first come first served approach has had the intended impact of stimulating timely program development and applications from eligible countries in response to their needs. Of the first 10 applications, six are from low income countries with four from lower middle-income countries. Grant Agents for the first 10 grants include World Bank, UNICEF, Save the Children, and SIDA. However, based on the high volume of applications, there is insufficient funds available to meet this demand.

3.4 An enormous effort has been made by partner countries under difficult circumstances, along with Grant Agents, and in-country partners to develop quality proposals in record time. Naturally with limited funds available, this has created pressure, tension, and potential disappointment should GPE not be able to meet the demand. The Secretariat initially presented three options to the Coordinating Committee (CC) at its 12th May meeting for how the remaining US$100 million could be prioritized (See Annex 2). However, these options were not deemed satisfactory given the choices were either to limit the number of countries that could be funded or impose a reduction in the allocations to such a small size that it would limit their effectiveness and raise concerns around value for money. Accordingly, the CC requested consideration of an additional option that would involve increasing the funds available in a manner that would enable demand from all eligible countries to be met with allocations of a reasonable size.

3.5 The Secretariat has now developed a fourth option for the Board's consideration. This option would increase the size of the COVID Accelerated Funding Window by US$250 million to a total of US$500 million. Given US$150 million has been set aside for Tranche 1, it would increase the second tranche of US$100 million to US$350 million. By reducing the maximum allocation amount per country compared to Tranche 1, all eligible countries could receive an allocation as set out in Annex 1 below, and this allocation would be at a level (at least 70% of Tranche 1 maximum allocation size) where the funds could have a meaningful impact and justify the transaction costs.

3.6 Naturally, the issue of potential restructuring of existing grants has been raised as an alternative way of funding COVID needs. The Secretariat has been in contact with countries and their grant agents on potential restructurings and their timing. It's important to note that restructuring does not replace the need for additional financing now, and reprogramming may not be suitable in all contexts. For approximately half of the existing ESPIGs, it has been indicated that a restructuring is likely, though generally this would be expected after finalizing the COVID 19 Accelerated Funding grant. The Secretariat has been working with the Grants and Performance Committee to amend the relevant policy in order to make it easier to facilitate such restructurings, notably to reallocate resources towards remaining unfunded actions of the government's COVID 19 response plan.

3.7 In order to finance this additional US$250 million in a timely manner, the Board has limited options. Ideally, additional donor contributions would enable some or all of this additional financing to be met, but there is no guarantee that will happen and certainly not in a way that would allow us to meet the urgent demand for rapid response. It is quite possible that additional donor contributions however could be received before the end of 2020 which would allow resources used for COVID-19 grants to be replenished.

3.8 The Board can also consider a reduction in allocations for other activities such as outstanding maximum country allocations (MCA), a reduction in the regular accelerated funding envelope, or a reduction in allocations for the Multiplier. With respect to these options, reducing a countries existing approved MCA carries both reputational risk and disrupts existing plans, and program development processes. The vast majority of remaining ESPIG eligible countries are preparing applications for the upcoming July, October, and January 2021 rounds based on their announced MCA, and reducing these funds at this stage will disrupt and delay program development, as well as reduce available support to these countries at a challenging time. A similar situation arises for the accelerated funding approved by the Board last December. At this time, 6 of the 19 eligible countries have applied for these funds, with 9 additional applications expected before the end of June, and the remainder at various stages of program development. It's important to note that this source of funding supports existing OCHA humanitarian appeals for education that existed prior to the pandemic and is distinct from the COVID funding window. For example – Bangladesh is expected to use its regular accelerated funding to support education for the Rohingya, while the funding from the COVID-19 window can support the broader response and recovery efforts in Bangladesh.

3.9 However, as a portion of the Multiplier has not yet been fully allocated into an MCA or an approved grant, a reallocation of some of the unallocated funds is considered to be the least disruptive option. At present, there is US$125 million available from the US$300m multiplier funds that have not yet been converted to an MCA. There are new requests and ongoing negotiations that would be expected to account for approximately US$75m in the coming weeks. That leaves US$50 million that could be re-allocated. The impact of this would be to limit our ability to continue engagement particularly with some of the non-GPE member countries that are eligible for the Multiplier and it may set back discussions particularly with regional development banks in the short term. However, when considered against actual demand from existing partners for support to mitigate the impact of COVID-19, such a decision would appear justifiable

3.10 While a Multiplier re-allocation can cover US$50 million of the US$250 million required, we would still need to find an additional US$200 million. The Board could make this available now from GPE's existing cash balance by authorizing an increase in the level of grant disbursements that would need to be financed from the next financing campaign. This does create a number of risks that the Board should be aware of:

- An increase in the financial carryover to a maximum of US$950 million means that of the new resources that would be pledged for the 2021-2025 period, we would need to set aside US$950 million to cover grant disbursements that would take place over this period on grants that have been approved over the course of 2018-to Q1 2021. While a carryover is perfectly normal on the assumption that an organization will continue to be replenished, and we would expect to continue this practice into the post 2025 financing period, what it does mean in practice is that if we had a replenishment of US$3 billion over 5 years, we would make approx. US$2.65 billion available for new allocations (US$3 billion + $600m carryover into 2026 less the $950m 2018-2020 carryover). This figure would increase to US$3.85 billion in a US$4 billion replenishment and so on.
- Assuming remaining existing donor pledges are made in 2020 and early 2021, GPE should have sufficient cash to cover all existing and planned grant disbursements that we would need to make through mid-2022. However, our ability to actually commit funds for 2022 and disburse beyond

mid-2022 would be very constrained without an influx of new resources in 2021 from the next replenishment

- We should also be aware that if there are any further shocks to our finances, such as a significant depreciation of donor currencies against the US dollar or if any of our major donors do not deliver on their pledges, then this would reduce our available funds and may require the Board to consider further measures to prioritize resources including reducing MCAs, or delaying the timing of grant applications, particularly those that will be delayed into Q1 2021.

3.11 In light of the risks of a high carryover, the Board are recommended to request the FRC to consider options for how the carryover could be reduced in its October meeting. Additional donor contributions, a positive move in the exchange rates, or if some countries do not avail or can't avail of their allocations would be ways to naturally increase available resources and allow for a reduction in the carryover. If more drastic action is required, as we have done previously in 2014/2015, the Board could always reduce the value of outstanding MCAs or delay or defer grant commitments to ensure that there is no danger of actually running out of funds. In such a case, we would prioritize resources to those programs that are implementing well and using the funds, and de-prioritize programs that are not performing or where liabilities only fall due in outer years of the financing period. Therefore, from a financial management perspective, the Board can be assured that we do have tools available to manage any potential shortfall in resources, even if tough decisions are required.

3.12 Ultimately in considering this recommendation, the Board will need to weigh up the risks of not meeting the urgent needs of its partner countries at a time when they're encountering an exceptional challenge and threat to the education of children, against the possibility of a downturn in GPE's finances in 2021 which may impact our longer term programming capabilities. The Board will also have to consider that in taking a calculated risk now to meet partner needs, there may be positive benefits to our finances over the longer term through demonstrating GPE's capabilities as both a partnership and a fund to play a global leadership role to meet an unprecedented threat. Conversely, taking a more conservative approach at such a time, may actually increase the risk of a poor replenishment and be harmful in the longer term.

Annexes

1. Proposed Allocation of Resources for a US$350 million Tranche 2
2. Original Prioritization Options presented to CC for US$100 million Tranche 2
3. Information on the International Financing Response for COVID-19
4. Overview of interventions funded in the first 3 proposals

ANNEX 1 - Proposed Allocation of Resources for a US$350 million Tranche 2

Table 1. Eligible Countries for Tranche 2[1]

Original Maximum Allocation under First Come First Served Approach	Country	Proposed Allocation US$350 million
US$20m	DR Congo, Ethiopia, Uganda, Bangladesh, Nigeria	US$15 million
US$15m	Afghanistan, Nepal, Niger, Yemen, Cameroon, Cote D'Ivoire, Kenya, Myanmar, Sudan	US$11 million
US$10m	Burundi, Burkina Faso, Benin, CAR, Chad, Eritrea, Guinea, Haiti, Liberia, Mali, Sierra Leone, South Sudan, Togo, Cambodia, Congo Rep, Lao PDR, Nicaragua, Senegal, Zimbabwe	US$7 million
US$5m	Gambia, Guinea-Bissau, Djibouti, Lesotho, Mauritania, Guyana, Timor Leste, Somalia (Puntland / Somaliland) [2]	US$3.5 million
US$2m	Zanzibar[3]	US$1.5 million
US$1m	Bhutan, Cabo Verde, Comoros, Dominica, Grenada, Kiribati, Maldives, Marshall Islands, Micronesia, Samoa, Sao Tome and Principe, Solomon Islands, St. Lucia, St. Vincent and the Grenadines, Tonga, Tuvalu, Vanuatu	US$750 thousand

[1] Excludes the following countries that may avail of Tranche 1 funds based on the first come first served approach – Rwanda, Zambia, Ghana, Mozambique, Malawi, Federal Government of Somalia, Pakistan, Madagascar, Papua New Guinea, Tanzania,

[2] Balance to be split between Puntland and Somaliland. Federal Government of Somalia to be funded in Tranche 1

[3] Tanzania has already applied in Tranche 1 for US$18m, so this represents the balance available for Zanzibar

Annex 2 – Prioritization Criteria Originally Proposed to the CC based on US$100 million available

Option 1 – Allocate US$100m across all remaining countries in proportion to their maximum allocation size	Ensures everybody has an allocation but results in high numbers of applications for relatively small allocations meaning higher overhead and Grant Agent costs as a percentage of grant size and lower impact. E.g. countries would only receive 20-21% of their allocation, so instead of US10 million they might receive US$2.1 million, while others would receive US$200k
Option 2 – Allocate US$100m only to Low Income Countries in proportion to their maximum allocation size	Ensures that the poorest countries would receive an allocation but would result in remaining LMICs and Small Islands not receiving an allocation unless more funds came in. Low Income Countries could expect to receive at least 37% of their allocation, so a country entitled to a US10 million grant might receive US$3.75 million.
Option 3 – Maintain the First Come First Served Approach	Given that more LICs (6) than LMICs (4) have submitted applications, and 4 of the 10 are fragile or conflict affected, it does not appear that the demand driven approach has necessarily disadvantaged countries. However, without a significant increase in resources, the funds would be exhausted relatively quickly and it's likely we could fund only 9-10 more countries.

Table 2. Eligible Countries For Tranche 2[4]

Maximum Allocation	Low Income Country	Allocation – Option 1 US$100 million	Allocation – Option 2 US$100 million
US$20m	DR Congo, Ethiopia, Uganda,	US$4.1 million	US$7.5 million
US$15m	Afghanistan, Nepal, Niger, Yemen	US$3.1 million	US$5.6 million
US$10m	Burundi, Burkina Faso, Benin, CAR, Chad, Eritrea, Guinea, Haiti, Liberia, , Mali, Sierra Leone, South Sudan, Togo	US$2.1 million	US$3.75 million
US$5m	Gambia, Guinea-Bissau	US$1 million	US$1.9 million
US$4.6m	Somalia (Puntland / Somaliland)	US$1.0 million	US$1.75m
US$2m	Zanzibar	US$400 thousand	US$750 thousand

[4] Excludes the following countries that may avail of Tranche 1 funds based on the first come first served approach – Rwanda, Zambia, Ghana, Mozambique, Malawi, Federal Government of Somalia, Pakistan, Madagascar, Papua New Guinea, Tanzania,

Maximum Allocation	Lower Middle Income Country or IDA Eligible Small Island/Landlocked Developing States	Minimum Allocation – Option 1	Minimum Allocation – Option 2 (Recommended)
US$20m	Bangladesh, Nigeria	US$4.1 million	0
US$15m	Cameroon, Cote D'Ivoire, Kenya, Myanmar, Sudan	US$3.1 million	0
US$10m	Cambodia, Congo Rep, Lao PDR, Nicaragua, Senegal, Zimbabwe	US$2.1 million	0
US$5m	Djibouti, Lesotho, Mauritania, Guyana, Timor Leste	US$1 million	0
US$1m	Bhutan, Cabo Verde, Comoros, Dominica, Grenada, Kiribati, Maldives, Marshall Islands, Micronesia, Samoa, Sao Tome and Principe, Solomon Islands, St. Lucia, St. Vincent and the Grenadines, Tonga, Tuvalu, Vanuatu	US$200 Thousand	0

ANNEX 3 – Information on the International Financing Response for COVID-19

In addition to the funding for COVID response and recovery provided through GPE, there are a number of other providers supporting the education response.

Education Cannot Wait (ECW) has approved US$23 million to date in support of 26 countries/emergency contexts. The ECW target populations prioritize that refugees, internally displaced people and host communities are not further marginalized by the impact of COVID-19. In addition, it has provided flexibility for its longer-term multi-year response plans to be reprogrammed to adapt to COVID-19. ECW has also launched an appeal for US$50 million to support its COVID response, and LEGO foundation and DFID have pledged US$15 million, and GBP 5 million respectively. Of the 26 countries/contexts supported, 16 are also eligible for GPE support. To ensure complementarity, the ECW and GPE Secretariat hold monthly coordination meetings led by the GPE CEO and ECW Director. Approved proposals and information on upcoming applications are also shared.

Devex has a useful tracker for COVID response: Who's funding the COVID response? that is updated regularly. Devex reports total programs for education related to COVID total $546M. In addition to GPE's $250M window and a World Bank worldwide program for $140M, there is only one funding source listed for over $20M ($64M for Tunisia) and many of the funds cited are targeted for specific countries. Based on that information, it is clear that overall education responses are relatively low in comparison to total COVID funding for other sectors, and that reconciles with our own review of donor responses where with the exception of some bilaterals, there doesn't appear to be significant references to education in overall responses, at least not in the initial phase.

While not fully visible yet, it's likely that more partners are or plan to provide more support, particularly in support of nationally owned response plans. An interesting example is Tajikistan which received support from GPE through the multi-country ESPDG with UNICEF as Grant Agent to support development of a nationally owned response plan. While Tajikistan was not eligible for a country level grant from the COVID-19 accelerated funding window, the EC is providing some 9m euros to support the response plan.

Finally, ESPIG resources from GPE can also be reprogrammed in response to COVID, and future applications can reflect the new reality. However, this doesn't replace the need for additional financing now, and reprogramming may not be suitable in all contexts. Some ESPIG funds are tied up in procurements/contracts such as school construction or textbook procurement; while different countries have varying amounts unspent; while others do not have an existing ESPIG under implementation at all. It's important to reflect that overall education financing is likely to take a massive hit due to the economic impact of the crisis, so GPE and partners in providing additional funds now will facilitate additional flexibility in determining how to adjust existing and future programs, while also providing a way to reduce the impact on key sector development activities.

ANNEX 4 – OVERVIEW OF INTERVENTIONS FUNDED IN THE FIRST GRANTS

Rwanda, the first country to be approved for GPE COVID-19 funding, will receive US$10 million to implement the country's COVID-19 education response plan. While schools remain closed, the grant will support radio, television and internet distance learning programs. A specialized gender awareness campaign will generate community support to prevent gender-based violence and teenage pregnancy. In preparation for the reopening of schools, teachers will be trained in school safety guidelines and school feeding programs and WASH facilities will be strengthened. A back-to-school campaign will also be launched to educate students, and the community at large, on disease prevention and ensure the most vulnerable children – including girls and children with disabilities – return to school. The grant agent is the World Bank

In **Zambia**, the US$10 million grant will be used to develop radio learning programs for students and provide radios to disadvantaged children. While schools remain closed, the grant will build the capacity of teachers to provide remote learning support, monitor the continuity of learning and research additional distance learning options. To prepare for the reopening of schools, the grant will help develop dedicated WASH and COVID-19 prevention guidelines for schools and provide clean water facilities in 150 schools. The grant agent is UNICEF

Ghana will receive US$15 million to support the country's COVID-19 response for continued learning, recovery and resilience in basic education. Remote education programs will focus on the retailoring of content for radio and TV formats and the establishment of online and offline helpdesks to support teachers and students. Pre-loaded content devices will also be provided for students with special needs, girls from disadvantaged backgrounds, children in rural areas and low-income families who lack technology. The grant will also be used to develop a robust Learning Management System where all educational content will be available for students to access. Once schools reopen, a back to school campaign will help prevent students from dropping out, with particular attention to girls, children with disabilities and children from low-income households. The grant agent is the World Bank

Prior to closing schools on March 23, **Mozambique's** Ministry of Education (MINEDH) issued a public memorandum to reinforce student awareness measures and hygiene practices for teachers, parents, caregivers and school principals about symptoms, forms of transmission and prevention measures and treatment against COVID-19. GPE's grant of US$15 million will help the MINEDH setup a crisis management team, provide distance learning programs through radio, television and online education programs and ensure psychosocial support to children experiencing stress, anxiety and trauma caused by school closures. When schools reopen, textbooks will be re-stocked in priority locations and remedial classes will target students who have fallen behind, including those with special educational needs. The grant agent in Mozambique is UNICEF.

In **Malawi,** the US$10 million grant will support the implementation of the country's comprehensive COVID-19 education response. The government will be working with national internet providers and radio broadcasting corporations to ensure distance learning initiatives are accessible to students. Solar powered radios and tablets will be purchased to support innovative digital learning solutions for vulnerable children with limited access to electricity and a toll-free hotline will be made available to provide additional support to lessons. Teachers and education managers will receive guidance and training to provide online teaching programs while awareness campaigns will encourage parents to support home-learning. Once schools reopen, they will be prepared to provide remedial support to students through assessments, accelerated learning and second chance opportunities. UNICEF is the grant agent in Malawi.

COVID-19 Response: Mitigation and Recovery Thematic Grant Allocation

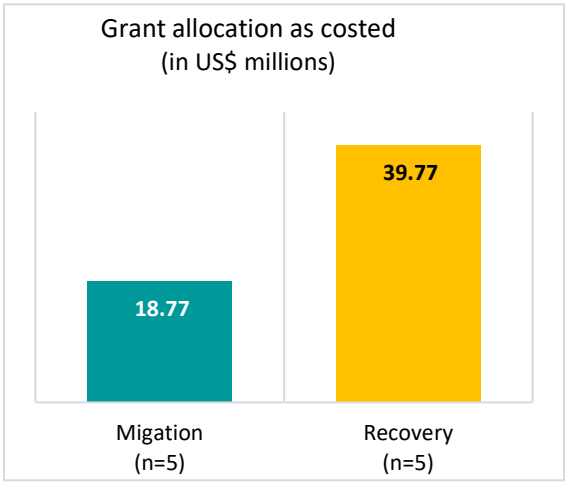
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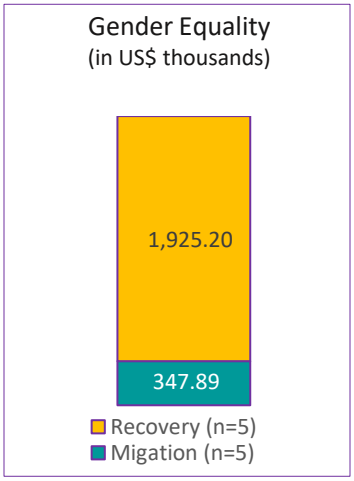
-The summary results presented in this document are based on the costing and coding of final program documents for COVID-19 AF for five countries i.e., Ghana, Malawi, Mozambique, Rwanda and Zambia.

-All five grants have learning opportunities for children with disabilities, children from poor households, and a focus on gender equality within the mitigation or recovery phase of the program cycle.

-Within mitigation, there is a focus on ICT, distance and home-based learning methods and materials as well as preparing teachers to adapt to these new learning methods to ensure continued learning.

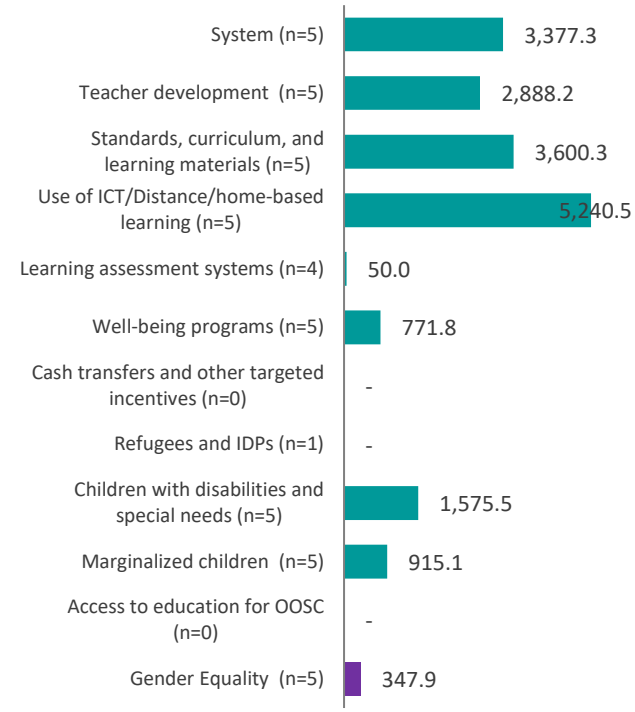
-Within recovery, there is a focus on ensuring children return to safe education facilities, accelerated learning, remedial programs and providing new standards, curriculum and learning materials.

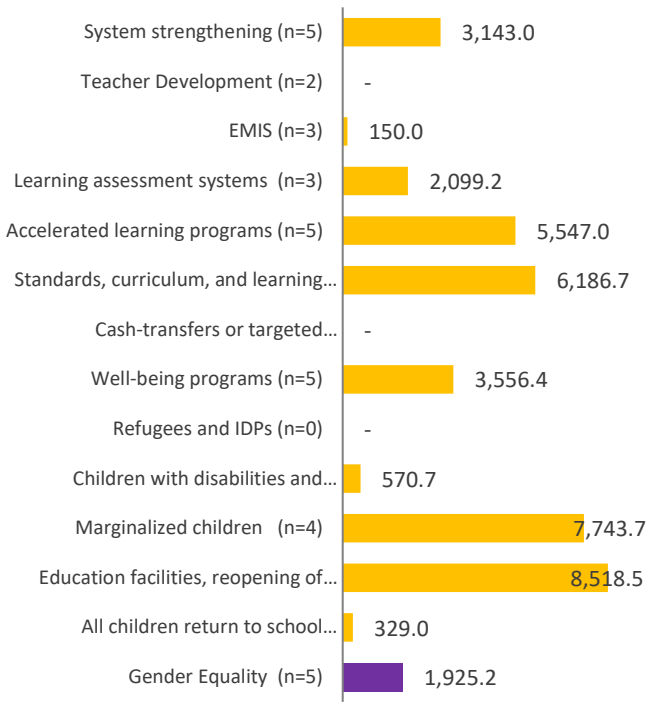




Total Number of Grants	5
Total Grant Allocation (in US$ million)	60.0
Number of Grants in FCAC countries	1
Total Grant Allocation in FCAC countries (in US$ million)	10.0
Number of Grants with Private Sector Partnerships	5

Grant allocation by thematic area (in US$ thousands)





Notes: n= number of grants coded