OCTOBER 25-26, 2021

MEETING OF THE FINANCE AND RISK COMMITTEE

VIA VIDEOCONFERENCE	FRC/2021/10 DOC 03	FOR DECISION

INCREASE OF SYSTEM CAPACITY GRANT ALLOCATIONS FOR FEDERAL COUNTRIES AND EASTERN CARIBBEAN AND PACIFIC REGIONS

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

Key issues for considerations:

- Increase in System Capacity Grant (SCG) allocations for federal countries to be able to strengthen enabling factors across different states.
- Increase in SCG allocations for the Eastern Caribbean as well as the Pacific regions to further incentive these states to maintain and strengthen their education system transformation at the regional level, as well as at the state level.

Objective

1. Within its delegated authority, and based on BOD/2020/11/12-04, the Finance and Risk Committee (FRC) is requested to approve an increase in System Capacity Grant allocation for federal countries, as well as the Eastern Caribbean and Pacific regions.

Recommended decision

FRC/2021/10-XX–Increase of System Capacity Grant Allocations for Federal Countries: The Finance and Risk Committee:

1. Recalling decision BOD/2020/11/12-04 to approve the limited criteria in which System Capacity Grant allocations above the ceilings may be acceptable, approves within its delegated authority the proposed increase in allocation for federal countries set out in Annex A of FRC/2021/10 DOC 03, and the proposed

increase in allocation for the Eastern Caribbean and Pacific regions set out in Annex B.

Background and overview

2. In December 2020, the Board approved (BOD/2020/12/12-04) the system capacity grant allocations (ranging between US$1 million – US$5 million per country) and delegated authority to the FRC "to approve the limited criteria in which allocations above the ceilings may be acceptable."

3. The Secretariat is proposing for FRC consideration to increase allocations for federal countries, as a higher allocation will be required to strengthen enabling factors across the education systems in the different states or sub-entity. Details on the justification and approach for the increased allocation can be found in **Annex A**.

4. The Secretariat is also proposing for FRC consideration to increase the SCG allocations for the Eastern Caribbean as well as the Pacific regions to further incentive these states to maintain and strengthen their education system transformation at the regional level, as well as at the state level. Details on the justification and approach for the increased allocation can be found in **Annex B**.

5. As part of the work on strengthening resilience and mitigating the systemic impacts of crisis, the Secretariat is currently considering whether an increase would be introduced for countries to incentivize preparedness to crises, for decision by the Board in December of 2021.

Annex A - Increase for Federal countries

Annex B - Increase the SCG allocations for the Eastern Caribbean and the Pacific regions

Annex A - Increase for Federal countries

1. The main purpose of the SCG is to help strengthen a country's capacity with regards to factors that enable education system transformation. In federal states (or countries with multiple subsystems), activities that strengthen enabling factors, for example sector plan development and sector monitoring, will need to be undertaken within every state or sub-entity. The SCG will thus have to address issues across those systems. In the past, the Secretariat has approved education sector plan development grants (ESPDGs) for different states, applying the US$700,000 limit per state. With the SCG calculated on country level, the amount may be only slightly higher or even lower than the combined ESPDGs for some federal countries. As such, it will not be possible to broaden the scope of the SCG beyond sector planning and make the desired impact with regards to enabling factors in federal states – unless there is an increase in their SCG allocation.

2. The following criteria for an increase in the system capacity grant allocation for federal countries would apply:

    - The country must have a federal system or a similar structure where multiple sub-entities (states, provinces, or regions) operate separate education subsystems, and
    - Multiple sub-entities of the country's federal system have been selected by the Federal Government to access GPE system transformation grant.

3. For such countries, allocations will be calculated by applying the formula per sub-entity. The minimum allocation per sub-entity will be US$1 million. Thus, in the case of Pakistan for example the formula that was used to calculate the SCG allocation for countries will be applied to each eligible province in Pakistan, with a minimum of US$1 million per province. However, a limit will be set on the maximum SCG amount for the entire country, as to not exceed twice the original amount approved for the country by the Board in December 2020. In the case of Pakistan, it is expected that the different allocations per province will need to be proportionally reduced.

4. The proposed allocation increase is expected to apply to the following countries with federal features: Nigeria, Pakistan, Somalia, and Tanzania, as sub-entities in these countries have been selected to receive GPE grants (ESPDG and education sector program implementation grant (ESPIG)) previously. Impact would be up to US$ 16.8 million when SCG allocations would need to be doubled in all four cases. If other federal countries become eligible based on the aforementioned criteria, the Secretariat will inform the Committee.

Annex B - Increase the SCG allocations for the Eastern Caribbean and the Pacific regions

1. To overcome disadvantages linked to their small-size, isolation, and context, SIDSs in the Eastern Caribbean and Pacific have been nurturing a regional collaboration to accelerate the achievement of shared goals through regional education frameworks. This regional approach allows countries to benefit from regional public goods, common institutional infrastructure, technical assistance, and cooperation, which serves to complement national efforts and extends the capacity of small, over-stretched Ministries. Thus, in these SIDS activities that strengthen a country's capacity for system transformation with regards to the enabling factors are undertaken at both regional and national levels, including sector plan development and monitoring. GPE has encouraged this regional approach, as it also minimizes transaction costs for GPE grants, and has approved regional ESPDGs for the two regions in addition to ESPDGs to respective states.
2. With the modest size of SCG allocations, countries will find it politically and technically challenging to separate a portion of the grant to strengthen regional efforts and another portion to national efforts. As such, it may not be possible to support the scope of activities required to achieve the intended impact and may serve to undermine regionalism in these parts of the world.
3. It is thus deemed appropriate to offer an additional SCG allocation for each region of US$ 1 million, so that states could continue strengthening enabling factors for the respective regions without decreasing the funding available at country level. Financial impact of this option is thus limited to US$ 2 million.