Annex A: Overview of proposed opportunities to reduce transaction costs associated with the GPE 2025 operating model – supplementary material

What we have learnt so far:

Ongoing lesson learning and feedback suggest that the model provides important opportunities to facilitate investments and partnerships in support of a country vision for system transformation behind a priority reform. Change is supported using system level results-based financing (top-up) in one or more enabling factors critical to the effectiveness of the education system; a greater focus on delivery pathways for reform; strategic prioritization, and alignment of sector actors and external partners. An emerging strength is the ability to adapt to context, including in fragile and conflict affected situations.

Transaction costs associated with the model cannot be attributed to a single reason. Lack of familiarity with GPE's vision and ambition as a partnership and fund is a contributing factor – supporting changed approaches across a multi-stakeholder partnership is not straightforward. Another key lesson is the need to manage the transition from one strategy period to the next more smoothly, so that countries do not have to go through peaks and troughs of intense effort. Other transaction costs are more mundane but add up: establishing task teams and setting up moments for dialogue; collecting supporting documentation; finding and hiring a consultant; responding to feedback; grant application, local education group agreement, quality assurance.

The table below provides an overview of the main observed pain points against the three main stages of the operating model namely (1) assess and diagnose; (2) prioritize and align; (3) act, learn and adapt. The table shows what actions have already been taken, and what new actions are being proposed. These are further elaborated upon in the supplementary annexes for each of the five proposals. Where feasible, options have been provided.

Overview: Pain points, action taken, revised proposals

	Pain points	Action taken/proposed
Assess and Diagnose		
1. Identification of priority reform 2. Screening questionnaire 3. Analysis of enabling factors	- Collecting documents to support the enabling factors analysis is a heavy lift, especially domestic financing data. - Countries can use SCG to get additional support, but only after a grant agent is selected for that small portion of financing.	Enabling factors lightened and rolled into compact guidance/gender equality strengthened Where feasible, Secretariat providing hands on support. Countries encouraged to include gender expertise in task force. **Proposal 5: Additional support for partnership compact development and review: set aside up to $2million for use within the current funding cycle** **[The alternative is the status quo - to continue to rely on the country level system capacity grant and country partners to support this].** **Proposal 3: Use the MTR of the partnership compact to update and adjust the compact and have it serve as the basis for the strategic parameters for the subsequent funding round. [The alternative is the status quo, that the strategic parameters work would begin once new funding allocations are confirmed].**

Assessment by ITAP and country endorsement	- Taking a little longer than expected, with potential bottlenecks in 2023/2024 due to increased number of countries. - Fact checking/clarifications with countries are an additional transaction. - Views on value-add vary.	Ongoing efforts to improve efficiency/expand ITAP capacity within existing resources **Proposal 4:** **Options** **a) Maintain ITAP, seeking modest gains in timely report completion** **b) Make ITAP optional** **c) Make ITAP optional for a subset of countries (preferred)** **d) Make ITAP solely focused on reviewing domestic financing and gender equality**
Prioritize and align		
4. Finalization of the partnership compact 5. GPE Board Review of allocation amount	- Identifying a priority reform, the delivery bottlenecks, and actions to address these is a change in approach. Understanding varies across the partnership. - Some compacts are overly lengthy, like mini-planning documents. External consultant understanding of GPE ambition and model varies. - Attention to gender hardwiring varies. - Compacts usually respond well to most of the issues identified in the self-assessment and ITAP reviews, but in	- Revised guidelines, including an optional 15-page compact template. More explicit guidance on gender hardwiring and strengthened Secretariat gender review. Sharing emerging good practices/examples. - Facilitated workshops (some multi-country) with Sec staff and consultancy support are emerging as helpful and strengthen inclusive dialogue. **Proposal 5: as above** **In a few cases where top-up indicators need further work, the Secretariat has suggested to the Board that the revised indicators be submitted at**

	some cases more time is needed to finalize top-up indicators.	**the time of the grant application, so as not to delay grant design work.**
Act, adapt and learn		
6. Selection of grant agent and grant application 7. Additional partner support 8. Implementation of policy reform and monitoring of partnership compact	- Tensions around grant agent selection. - No observed time lags in grant development so far, however, for grant agents that already use an RBF mechanism, GPE's variable part becomes an additional RBF layer to be negotiated. In other cases, the country is either exempt, or the grant agent is unfamiliar/unable to do RBF. Heavy transaction costs with the GPE variable part were observed in the previous model. Issue is to how to leverage system wide gains using RBF without creating multiple layers of indicators. Looking forward: - Release of top-up allocation after the mid-term review requires additional decision making (how best to use the funds) and grant application/quality assurance. The timing of this is likely to be close to the release of new allocations under GPE 2030.	Review of grant agent selection will be conducted by an external consultant **<u>Proposal 1</u>:** **Option 1 (a) Phase out the variable part with clear expectations for results-based financing in grant programs (preferred); or** **Option 1 (b) Phase out GPE's variable part RBF, but require grant-level results-based financing unless not appropriate to country context** **Option 2: Keep the variable part as defined in the GPE 2025 operating model** **<u>Proposal 2</u>:** **Option 1: Use the MTR of the partnership compact to assess progress against high priority enabling factors but defer reductions due to indicators not being met to the 2026-2030 strategy period. Remove the top-up for very small allocation countries (preferred)** **Option 2: Add the 2025 top up to the 2030 STG allocation**

	- Mid-term review guidance not yet developed. Opportunity to address time taken for pre-grant processes (enabling factors and compact development) by using the mid-term review to determine strategic parameters for future allocations.	**Proposal 3: as above**

Prioritization of the adoption of proposals – summary of impact of delayed implementation

- Proposal 1: Urgent – 10 countries are developing their proposals and another 6 will start soon. A delayed decision in support of this proposal would increase the number of countries doing unnecessary work that needs to be retrofitted at a later stage
- Proposal 2: Urgent – 13 countries will seek approval of their strategic parameters in the next quarter. A delayed decision would result in these countries developing programming on a minimum allocation which may then change at a later stage; and increase the number of countries needing transition measures if the proposal is supported.
- Proposal 3: Least time sensitive but would impact on the time taken to develop MTR guidance, which could in turn make it harder to undertake MTRs in a timely manner, aligned with country processes.
- Proposal 4: Urgent – more than 40 countries will be working on partnership compacts during FY 24 – currently ITAP can manage between 4-5 assessments in parallel. Countries currently doing enabling factors and partnership compacts are seeking early clarity on this point.
- Proposal 5: Urgent – countries are moving forward quickly, including planning workshops. Alternative sources of funding from partners at country level, or through the SCG are ad hoc/not easily accessed.