DECEMBER 5-6, 2023

MEETING OF THE BOARD OF DIRECTORS

ZANZIBAR, TANZANIA | BOD/2023/12 DOC 05 | FOR DECISION

ELIGIBILITY AND ALLOCATION

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Key issues for consideration:

- The Finance and Risk Committee (FRC) considered the allocation of additional funds to the GPE Multiplier including the Arab Coordinating Group SmartEd initiative in view of significantly increased demand for the Multiplier, and recommeded their approval. The Committe stressed the importance of hardwiring gender equality and prioritizing opportunities for Low-Income Countries in the Multiplier.
- The FRC recommends the eligibility of Lebanon and Jordan taking into consideration their current economic status means they now meet GPE eligibility requirements, and the fact that both countries host some of the highest proportions of refugees as a percentage of total population.
- Given the high demand for the Girls' Education Accelerator, which now exceeds available resources, the FRC recommends a call for additional resources to be raised and for further consideration of how to meet the unmet demand, noting the Secretariat's explanation that as a targeted financing mechanism, core funds had not been considered.

Objective

1. The Board is requested to consider three different recommendations from the Finance and Risk Committee (FRC) on the eligibility and allocation of resources for the 2021-2025 financing period.

Recommended Decisions

BOD/2023/12/XX – Increased Multiplier and SmartEd Initiative envelopes: The Board of Directors:

1. Notes the projected available resources as outlined in the financial forecast (BOD/2023/12 DOC 04) and the significant demand and success of the GPE Multiplier to date.
2. Approves an increase in the Multiplier envelope for the GPE2025 financing period from US$ 755 million to US$950 million.

3. Based on initial satisfactory progress of the ACG-SmartEd initiative approved by the Board in December 2020 (BOD/2020/11/12-06), authorizes the CEO to increase the overall envelope from the Multiplier to the SmartEd initiative from US$100 million to US$150 million subject to availability of funds, and evidence that this is likely to generate at least US$600 million in new and additional co-financing from members of the Arab Coordination Group.
4. Emphasizes the importance of hardwiring gender equality through the Multiplier, and to prioritize opportunities for Low-Income Countries to access these resources.

BOD/2023/12/XX - Eligibility and Allocation for Lebanon and Jordan: The Board of Directors:

1. Recalls decision BOD/2020/11/12/04 and notes that Lebanon, and Jordan would now meet the eligibility criteria for GPE funding established by the Board.
2. Considering the change in economic classification and the demands of hosting a significant proportion of refugees on the education systems of both countries, exceptionally approves eligibility for the following grants under GPE2025:

Country	System Capacity Grant	Multiplier
Lebanon	US$1.6 million	US$5 million
Jordan	US$2.3 million	US$15 million

BOD/2023/12/XX – Girls' Education Accelerator: The Board of Directors:

1. Recalls decision BOD/2020/11/12/05 to establish the Girls Education Accelerator (GEA) as a targeted financing mechanism to provide additional resources to support girls' education in a subset of GPE eligible countries with the most need.
2. Reaffirms that a GEA allocation is always additional to a System Transformation Grant and/or Multiplier allocation and reaffirms that gender equality is hardwired under GPE2025 irrespective of a countries eligibility for, or ability to access GEA funding.
3. Notes that GEA funding was subject to availability of resources based on targeted financial contributions, and that demonstrated demand for the GEA has now exceeded such resources.
4. Calls on GPE partners to increase their funding to the GEA to allow for the maximum number of countries to benefit from this initiative.
5. Notes that any additional funding pledged to the GEA will be indicatively allocated to support eligible countries based on the order in which strategic parameters for the GEA have been approved by the Board.

Background and overview

1. The Board determined the eligibility and allocation criteria for the 2021-2025 financing period in December 2020. It has been longstanding practice through the regular financial forecasting exercise, that the FRC recommends, and Board approves adjustments to the allocation of resources based on projected changes in GPE's financial position. Based on the current financial forecast, there may be up to US$250 million available for reallocation of funds.
2. The Secretariat notes that demand for the Multiplier has been exceptionally strong with US$540 million out of an initial $755 million envelope already allocated which is far ahead of targets. There are at least 21 countries in active discussions with potential co-financiers to unlock the Multiplier and this number is likely to increase over the course of 2024. The Secretariat's assessment is that anywhere from $400-$500m in additional funds are likely to be requested creating an estimated funding gap of US$185 million to US$285 million under GPE2025.
3. The Multiplier is funded through core GPE resources, and all 90 existing eligible countries can access it. For some, it is the only source of funding for system transformation from GPE. The Multiplier had a positive independent evaluation concluding that it is viewed as highly relevant, and that co-financers and partner countries value its ability to catalyze funding, fill financing gaps, and extend the reach of program activities. Demand continues to increase as does the diversity of co-financing partners with active discussions with IFFEd, Asian Development Bank, Green Climate Fund, and the African Development Bank.
4. The FRC recommends that the envelope for the GPE2025 financing period be increased from US$755 million to US$950 million which would bring overall Multiplier financing up to US$1.2 billion since 2018.
5. This approach will improve prospects for meeting the increased demand from partner countries. An increase in the Multiplier to this level will allow for total new and additional co-financing in the range of US$3.5-$4 billion to be allocated by a diverse range of co-financing partners under GPE2025. This exceeds the US$3 billion target set out in GPE's case for investment for GPE2025 and is tangible evidence of GPE's response to trends in the development space that emphasize the importance of leveraging grant funds to crowd in additional investment behind national priorities.
6. As part of this increase, the FRC recommends that an additional US$50 million be made available for the SmartEd initiative with the Arab Coordination Group given the positive progress and potential for significantly expanding the amount of co-financing and diversity of co-financiers. The CEO would be authorized to announce

this increase upon confirmation that the first US$100 million under SmartEd had been allocated. So far US$55 million has been allocated to two countries (Uzbekistan and Cameroon) mobilizing a further $220 million in co-financing at the higher 4:1 co-financing ratio, and active discussions are underway in several more countries.

7. The Secretariat also notes that the GPE Match which unlocks the Multiplier on a dollar-for-dollar basis from co-financing from the Philanthropy and the Business Community has been very successful and will exceed the initial US$100 million limit suggested by the Secretariat as a way of avoiding diluting the co-financing ratio. Given that overall co-financing on the Multiplier exceeds 4:1, the Secretariat will continue to accept matching contributions, unless the amounts involved are likely to significantly distort this ratio.
8. The FRC further recommends that Lebanon and Jordan be made eligible for funding for the current financing period. Both countries have dropped to Lower Middle-Income status and therefore applying GPE's current eligibility criteria, Lebanon would be eligible for a Systems Capacity Grant of US$1.6 million and a Multiplier of up to US$5 million, while Jordan would be eligible for a Systems Capacity Grant of US$2.3 million and a Multiplier of up to US$15 million.
9. While normally adjustments to eligibility are not made during a funding cycle, there are grounds for an exception in both cases considering the eligibility criteria is met, the limited impact on funding, and the fact that both countries host some of the highest proportions of refugees as a percentage of total population.
10. During the April 2023 FRC meeting and the June 2023 Board meeting, the Secretariat disclosed that while initial allocations to the Girls' Education Accelerator (GEA) were few, demonstrated demand for the GEA was likely to exceed supply by the end of 2023.
11. As of end September, and as discussed with the FRC, no additional resources have been raised for the GEA although discussion are ongoing. As several countries have accelerated progress in developing their partnership compacts, the Board has indicatively allocated all the available funds (US$176.5 million) that have been pledged[1] towards 11 programs. Of these 11, 3 of them have had grant applications approved.
12. As a result, remaining GEA eligible countries when submitting their strategic parameters for system transformation grants for Board decision will not be invited to immediately apply for GEA funding and affected countries have been notified.

[1] The total allocation amount for the 10 countries is US$178.97m and US$2.47m above the GEA envelope which is not a significant gap and likely to be filled.

They will be informed that should funding become available, they will be invited to develop an application. If additional financing for the GEA is pledged, countries will be invited to apply based on the order in which the Board has approved strategic parameters.

13. Noting that the Board established the GEA as a targeted financing window, the Secretariat did not recommend reallocating any core resources to this instrument and the FRC concurred. All eligible countries were informed that the GEA was subject to availability of resources. It should also be noted that hardwiring gender equality in GPE grants is expected irrespective of whether a country is GEA eligible or not, and this has been emphasized.
14. The FRC requests the Board to call on donors to increase their financial commitments to the GEA to enable the maximum number of countries to be provided with support.

Annex A – GPE Multiplier Allocations under GPE2025

Annex B – GEA Allocations

Annex A – GPE Multiplier Allocations under GPE2025

Country	Amount (USD M)	Cofinancing (USD M)	Co-financier
Angola	50	150	World Bank
Belize	5	18.75	Inter-American Development Bank (IDB)
Bhutan	3.33	10	World Bank
Cambodia	30	105.9	EU, World Bank, JICA
Cameroon (ACG SmartEd)	15	60	Islamic Dev. Bank, Islamic Solidarity Fund for Dev., Arab Bank for Economic Dev in Africa
Cote D'Ivoire (Debt2Ed)	40	181.78	AFD, World Bank, World Food Program
Ethiopia	2.69	8.07	JICA
Haiti	19.33	58	IDB, EAA, WFP
Indonesia	24.27	72.82	DFAT
Kenya (Match)	50	210	LEGO Foundation, World Bank
Lesotho (Match)	2.5	2.5	Roger Federer Foundation
Malawi	8.5	25.5	World Bank
Maldives	3	9	IDA Grant
Moldova	5	52.2	World Bank
Rwanda	30	100	World Bank
Senegal	40	121.1	AFD, JICA, Canada
Sierra Leone (Match)	15	25	Education Above All, LEGO Foundation
South Sudan	12.33	37	World Bank - IDA Refugee Sub-window
Tajikistan	15	53	IsDB, OPEC Fund
The Gambia	5	15	IDA Grant
Tonga	5	22	IDA Grant
Ukraine (Match)	25.55	25.65	Microsoft/Google/UNESCO
Uzbekistan (ACG SmartEd)	40	160	Islamic Dev. Bank, Islamic Solidarity Fund
Zimbabwe (Match)	8.66	22	Roger Federer Foundation, FCDO
Carryover from GPE 2020 (9 countries)	84.9		
Total Allocations Made inclusive of carryover	**540**		
Total Multiplier Envelope for GPE2025	**755**		
Remaining for Allocation	**215**		
Estimated Remaining Demand	**400-500m**		
Estimated Shortfall	**(185m – 285m)**		

Annex B – GEA Allocations

The following countries have either been approved or invited by the Board to submit grant applications from GEA funds.

El Salvador (US$5M), Congo, Democratic Republic of (US$25 M), Zimbabwe (US$12.415 M), Ethiopia (US$25M), Somalia – Federal (US$18.76M), Somalia – Somaliland (US$6.24M), Cote d'Ivoire (US$22.455 M), Niger (US$25 M), Benin (US$12.85 M), Sao Tome and Principe (US$1.25M), and Chad (US$25 M)

There are 20 remaining eligible countries and if all were to be invited to apply at their maximum allocation level, an additional US$350 million would need to be raised. The Secretariat does not currently expect that such funds could be raised before end of 2025. However, it is likely that some of these countries may not meet the criteria to access the GEA under GPE2025, and recent events in Niger also raise uncertainty about the timing and ability of the country to access the existing allocation that it was invited to apply for. Therefore, the maximum amount required is likely to be lower.

The current approach is to continue to fund eligible GEA countries based on the order in which the Board would approve their strategic parameters for System Transformation Grant and/or Multiplier Funding, including an indication of a good/robust proposal on how the additional GEA funds would be used should resources become available. This approach allows for any additional funding raised to be deployed efficiently and will allow GPE to manage the uncertainty that comes with not knowing how much additional resources can be raised, and how many qualifying countries will need resources and by when.

To stretch available resources in a way that would increase the possibilities for as many available countries to access the GEA, the FRC could consider a recommendation to reduce the maximum GEA grant to US$10 million per country from the current ceiling of US$25 million for the twenty remaining eligible countries.

This would have the effect of reducing the maximum additional funding required to US$160 million which while very challenging is a more realistic fundraising target.