JUNE 4-6, 2024 - MEETING OF THE BOARD OF DIRECTORS, BERLIN, GERMANY

BOD/2024/06 DOC 10 - FOR DECISION

MOBILIZING FINANCE FOR EDUCATION

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Key issues for consideration:

- At a joint session in April, the Finance and Risk Committee (FRC) and the Performance, Impact and Learning Committee (PILC) reflected on the strategic considerations for scaling up the use of GPE grant resources to leverage and mobilize additional finance for education.
- Informed by these discussions, the FRC recommended the next phase of the work as part of the development of GPE's next financing and funding framework for the 2026-2030 financing period for Board decision.
- Committee members acknowledged the need for additional resources. They noted the success of the Multiplier and expressed their support for finding innovative ways to mobilize more finance.
- Members further noted the importance of domestic financing including the issue of taxation.
- In the context of the next replenishment, members also stressed the need for GPE to strongly communicate on results beyond just the volume of financing mobilized.

Objective

1. This document outlines a request to the Board to consider a recommendation on scaling up the use of GPE grant resources to leverage and mobilize additional finance for education and approve the next phase of the work as part of the development of GPE's next financing and funding framework for the 2026-2030 financing period.

Recommended Decision

BOD/2024/06/XX –<u>Mobilizing Finance for Education</u>: The Board of Directors:

1. Notes the importance of mobilizing additional finance to support system transformation and the need for innovative mechanisms to crowd in such finance.
2. Acknowledges the success of GPE's current mechanism through the GPE Multiplier, the demonstrated demand to scale up and adapt these instruments informed by the findings of the independent evaluation and implementation to

date.

3. Notes the need and opportunity to explore expanding the menu of innovative instruments that may be used to crowd in additional finance from a variety of sources.
4. Determines its intent to significantly increase the share of grant resources in the 2026-2030 financing period through mechanisms including the Multiplier that will mobilize additional finance for education.
5. Requests the Secretariat to further analyze and develop options for the range of instruments that may be introduced for the 2026-2030 financing period for FRC recommendation. Such options should also include related adjustments to eligibility and allocation that will best support achievement of GPE2030 objectives for Board decision at its June 2025 meeting.

Background

1. As set out in the Charter, GPE aims to mobilize funding for education through the GPE Fund, through support for domestic financing, and to crowd in and align financing from external sources. A key strategic objective of GPE2025 is to secure "more and better financing".
2. Factoring in inflation, the trend for aid for education over the past number of years is negative, while the share of Official Development Assistance (ODA) for education is stagnant or falling. This is in a context of a learning crisis exacerbated by COVID-19, and with significant pressure on domestic finance budgets due to multiple crises, including the ever-growing threat of climate change. Population growth in many partner countries means in many cases where there is growth in education financing, it is being outpaced by demand for services.
3. The education aid architecture and wider development financing world is adapting with a greater focus on leveraging additional finance with limited grant funds. GPE already started on this pathway with the introduction of the Multiplier under GPE2020 and subsequent expansion of the Multiplier to at least 20% of grant funds under GPE2025.
4. As GPE begins work for its next strategic plan, GPE2030 for the 2026-2030 financing period, it is critical that it also reflects on how best to use its limited grant funds including through innovative finance arrangements to mobilize additional resources that are aligned with national education priorities, and support system transformation. GPE is working closely with key partners in the sector as part of the Multilateral Financing of Education Initiative and is an active participant in the innovative finance workstream.

5. The significant demand and success of the Multiplier offer an excellent and obvious platform to build from. The independent evaluation, and lessons learned under GPE2025 provide helpful ideas on how the Multiplier can be improved. For example, while all countries must complete an enabling factors analysis to access the Multiplier, the fact that most countries will have Partnership Compacts in place and will be conducting Mid-Term Reviews provides an opportunity to strengthen the prioritization of Multiplier funds and resources mobilized through this mechanism to better support system transformation.
6. However, there are also other ways to leverage additional finance that can be introduced including unlocking resources from capital markets to support domestic finance such as through bond issuances, and debt swaps where GPE grant funds could play a catalytic role, or through helping to de-risk investments in education, or to support development impact bonds. As has been shown through the Multiplier, GPE does not necessarily need to be the one developing all these proposals, but it must have the flexibility and the funding available to co-finance with partners who have a mandate and expertise in this space.
7. Under the current strategic plan, the Board has allocated at least 20% of the resources mobilized to mechanisms that are specifically linked to crowding in additional finance. Despite this relatively modest investment, GPE has helped mobilize as of March 2024, more than US$3.5 billion from 62 different co-financiers in 44 countries by providing US$900 million in GPE grants. There is demonstrated demand for a significantly higher level of investment. There are opportunities to work with actors in other sectors, and also relatively new actors in education like the Education Outcomes Fund and the International Financing Facility for Education where the Secretariat is closely cooperating on opportunities for co-financing.
8. It is highly likely that with the introduction of additional innovative instruments, and some adaptations to the Multiplier, an increase in allocation of GPE funds raised under GPE2025 to 50% for example under GPE2030 could mobilize US$10 billion in new investment in education including US$2 billion from the GPE Fund. This would still leave a significant amount of grant funds that would not be conditioned on mobilizing additional co-financing and could support highly predictable allocations for countries most in need. A significantly increased mobilization of resources for the GPE Fund would drive an even greater impact if the higher percentage of funds dedicated to crowding in additional finance was maintained.
9. GPE has worked with the Boston Consulting Group to further elaborate some of this thinking as set out in the attached pre-read, including reflecting on the initial consultations that have taken place with stakeholders.

10. The Board is not asked to recommend or approve specific instruments at this stage or to agree on an amount of funds that would go to the Multiplier and related grant mechanisms. However, it is critical that the Secretariat understands whether the Board intends to significantly scale up in this area and if it will give the Secretariat a mandate to explore potential changes and new instruments in depth.
11. This guidance is important for how we develop options around the finance and funding framework for GPE2030 and related issues on eligibility and allocation methodology which should be finalized over the next year. It also sends out a key message to potential co-financing partners including from those that are interested but have not yet fully committed as to whether they should continue to invest effort in working with GPE. This is even more critical as GPE exhausts its resources under GPE2025.

Annex A: Pre-read
Annex B: Glossary of terms