# GUIDANCE

# DIVISION OF INDICATIVE ALLOCATIONS FOR IMPLEMENTATION GRANTS IN FEDERAL STATES

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GPE Transforming Education

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## Guidance on Division of Indicative Allocations for Program Implementation Grants in Federal States

1. Indicative allocations for program implementation grants from the Global Partnership for Education (GPE, or the "partnership") are calculated on a national basis and for a three-year period. In countries with federal systems of government, a division of the national indicative allocation will need to be made between the subnational authorities that will access the funds.

2. Once a federal state has become a member of GPE through the special provision adopted by the Board of Directors, subnational levels will need to have their education sector plans appraised and endorsed by a development partner group to become eligible for a program implementation grant.

3. One of the most important principles of the partnership is that it is country led; therefore, this guidance should only be used in circumstances where no agreement can be made at the country level on how to divide an indicative allocation.

4. In the event that the indicative allocations across subnational levels cannot be determined or agreed upon, the local education group, through the coordinating agency, should notify the GPE Secretariat.[1] The notification should indicate how many subnational levels will be applying for a program implementation grant during the relevant indicative allocation period.[2]

5. The responsibility for selecting the eligible subnational levels that will be included in an application for a program implementation grant, and therefore will require an indicative allocation, rests at the country level. The Secretariat can provide information and advice but will not make this determination.

6. Upon receipt of the request, the Secretariat, for calculation purposes only, will apply the principles of the Needs and Performance Framework by treating each subnational entity in the same way as separate countries are treated when the formula is applied to the entire portfolio of eligible countries. Certain elements will not be available—for example, the World Bank does not assess fragility and policy

[1] In the absence of a local education group at the federal level, the developing partner federal government and a representative on behalf of the development partner group will fulfill this function.

[2] The indicative allocation for the country will be divided across the subnational levels expected to apply as notified by the local education group, not across all subnational levels in the country (e.g., if a country has 20 states but the local education group informs the Secretariat that only five will apply, then the indicative allocation for the country will be divided across these five only).

and institutional performance assessments for subnational levels. The country's existing indicative allocation will be considered as the amount available for division.

7. To provide as accurate an allocation as possible, the Secretariat may require additional information from the country, which will be communicated through the local education group along with a timeline for response. Where information is not provided or is incomplete, the Secretariat will need to rely on the information previously available to it to complete the calculation, or it may need to leave out certain variables from the calculation to base the calculation on the same variables for each subnational entity.

8. It is preferable that applications for program implementation grants from subnational levels all be submitted at the same time. Where this is not possible, applications will be accepted at different times provided that the local education group has agreed on the division of the indicative allocation to subnational levels in advance of the first application. However, at no time will an allocation be made above the country's national indicative allocation in the applicable period. For those countries that have an indicative allocation that is capped at US$100 million, they may follow the normal process to request consideration of an indicative allocation above the $100 million. In these circumstances, the request should be made before the first application for a program implementation grant from the country's indicative allocation is submitted.

9. The Secretariat will only provide a calculation upon request, to assist the country in dividing its own indicative allocation among the subnational levels that the country itself proposes. Ultimately, it is the country and not the Secretariat, that determines whether to accept the division performed by the Secretariat or to agree on an alternative division.

## Attachment 1: Supplementary Information on Application of the Needs and Performance Framework

The current Needs and Performance Framework formula uses a set of factors and weights to allocate funding to countries. These factors fall into two categories: needs and performance. The factors and their weights are reproduced here for easy reference, though they are documented on the GPE website:

| Category | Factor | Weight |
|---|---|---|
| Needs | Fragility status (as defined by the World Bank) | 0.15 |
| | Gender parity in completion (the more parity the less funding) | -0.35 |
| | Distance from 100% completion (the greater, the more funding) | 0.15 |
| | Number of school-age children (the more, the more funding) | 0.9 |
| | Per capita income (the richer, the less funding) | -0.125 |
| | Availability of external aid for education (the more, the less funding) | -0.10 |
| Performance | Own-source educational effort as measured by the share of education spending in GDP (the larger, the more funding) | 0.30 |
| | Policy and institutional performance (the higher, the more funding) (derived from the CPIA index of IDA and the World Bank) | 1.0 |
| | Progress toward universal completion (the faster, the more funding) | 0.30 |

## Issues in Applying a Similar Method to Subnational Governments

Several data issues arise in trying to "generalize" this formula when dividing the funds among subnational entities in federal or quasi-federal countries.

### *Data Aspects*

It is very likely that many of the "drivers" in the Needs and Performance Framework formula will not be found for subnational governments in most GPE countries. For example, fragility and CPIA data are not currently available. However, the issue of fragility at the subnational level may be revisited in the future as GPE evolves its guidelines for engagement in countries affected by fragility and conflict. Those least likely to be found are, generally (from least likely to most likely): (a) the institutional

performance index, (b) fragility status differences within the country as captured by an accepted quantitative indicator, (c) own-source educational effort (many countries will not have subnational estimates of the denominator of this variable, namely, subnational GDP), (d) subnational allocation of external aid and (e) progress toward completion.

This suggests a potential problem, in that most (but not all) of the factors that are difficult to find are the performance-related ones.

The needs factors are much easier to find even in subnational settings. In order of approximate difficulty, approximately from least to most: (a) completion rate, (b) gender parity factors, (c) subnational population of school age, (d) local donor funding, and (e) local per capita income. The first three (a, b, c) are relatively easy to find; the last two (d, e) are fairly difficult to find.

There are two solutions to this problem. The obvious one is that one should make some effort to estimate the missing factors from proxy data, or indeed get the needed data.

The second solution is to make do with only some of these factors by focusing on the easiest ones to get at the subnational level. This solution is not as problematic as it may sound.

Empirically, the performance factors in the formula "weigh" only about two-thirds as much as the needs factors. This cannot be judged just from summing up the exponents or weights. Since these weights are applied exponentially, their impact depends on the actual value of the drivers and can therefore only be gauged by doing what is called a "sensitivity analysis," whereby one takes the typical case or country and systematically varies each factor a little, to see what the total impact is. The GPE Secretariat has done this, and it has determined that the impact of the needs factors taken together is about 0.8, and the impact of the performance factors together is about 0.55.

In addition, one has to compare the worth of using some formula not against the use of an ideal formula but against the use of no formula at all. Nonformula methods are ad hoc, contain the possibility of favoritism and tend to reduce transparency and predictability.

The conclusion of the Secretariat is that even a set of subnational allocations based on, say, school-age population and primary school completion, is likely to be better than no formula at all, if the issue of the division of funding within the country poses problems.

In cases where GPE's opinion is sought, the Secretariat, in collaboration with the local education group, will find as many elements of the Needs and Performance Framework formula as possible within a reasonable amount of time to assist the country in arriving at a consensus.

It is not possible to produce a generic list of factors or drivers that one could always find. The general principle will be to try to find the easiest ones immediately and with certainty, make some effort in trying to find the ones of medium difficulty, and most likely give up on the most difficult ones. But this will vary from country to country, so it is difficult to set a general rule that is absolute. A "soft" general rule would be to try to find and use factors in list A below, to make some effort in finding the factors in list B, and to be prepared to give up on the factor in list C if it does not readily exist.

- List A: school-age population, completion rates for boys and girls (and gender parity in completion)
- List B: change over time in completion rate, subnational allocations of education foreign aid, subnational per capita income and subnational own-source effort (education expenditure as a share of GDP)
- List C: policy and institutional performance.

***Application of the Approach to Date***

Countries where the indicative allocation has so far been divided among subnational entities include Pakistan, the Federal State of Somalia and Tanzania. In Pakistan, with many subnational states or regions, there has been a preselection of benefiting subnational entities by the federal government and its partners, prioritizing certain states or regions based on factors such as low levels of donor support, greatest need and availability of or likely development of an endorsed education sector plan. In the Federal State of Somalia and Tanzania, the allocation has been divided among all subnational entities (three in the Federal State of Somalia and two in Tanzania).

Once it has been determined which subnational entities will benefit from the funding in the current period, the Secretariat has worked with the local education group through the coordinating agency to obtain as much information on Needs and Performance Framework data as possible. This has also involved verification that data from different subnational entities are reliable, and verification that variables have been calculated in the same way in each subnational entity and are therefore comparable and so on. This process has enabled the Secretariat, in consultation with national partners, to determine which Needs and Performance Framework variables can be used for the calculation.

Once the calculation has been made, the results are communicated to the coordinating agency for dissemination to the local education groups, and

subnational entities have developed their applications on this basis. The local education group has made the final decision to use the division proposed by the Secretariat.

The table below shows the variables used in the countries that requested GPE support with their indicative allocations.

| **Allocations within federal countries: Variables used and regions with allocations** | | |
|---|---|---|
| Country | Variables used for the allocation | Regions with allocations |
| Federal State of Somalia | **Need**<br>Children of primary school age<br>Gross enrollment ratio in primary[a]<br>Parity in gross enrollment[b] | Puntland<br>Somaliland South and Central Somalia |
| Tanzania | **Need**<br>Gender parity in completion rate<br>Primary completion rate<br>Children of primary school age<br>Per capita income<br>External resources already available<br><br>**Performance**<br>Public educational expenditure as % of GDP | Mainland<br>Zanzibar |
| Pakistan | **Need**<br>Gender parity in completion rate<br>Primary completion rate<br>Children of primary school age<br>Per capita income<br>External resources already available<br><br>**Performance**<br>Public educational expenditure as % of GDP | Balochistan<br>Sindh |

a. As a proxy for completion. Completion data not available or not reliable. Note that since the tool allocates shares, not absolute values, proxies can be used as long as they have approximately the same range.
b. As a proxy for gender parity in completion.

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