RECOMMENDATIONS ON INCREASING ALLOCATIONS

Please note: Board documents are deliberative in nature and, in accordance with the GPE Transparency Policy, are considered public documents only after their appraisal by the Board. It is understood that constituencies will circulate Board documents among their members prior to Board consideration for consultation purposes.

Recommended by: Finance and Risk Committee (FRC) / Strategy and Impact Committee (SIC) - KIX item / Grants and Performance Committee (GPC) – variable part consideration

Committee Consideration:

- The FRC were supportive of proposals to make additional funds available in the current replenishment period to increase the minimum education sector program implementation grant size in line with the intention of prior Board decisions from 2017.
- They note that these are short term actions that would accelerate the timely allocation of funds but there are associated risks of increased transaction costs which the Secretariat deem manageable, particularly if combined with increased delegation of authority.
- Considering that financing available for these recommendations arise as a result of some countries not being in a position to access their allocation before the end of 2020, the FRC requested an analysis of the bottlenecks to the timely allocation of funds and the combination of short and longer terms actions that are and can be taken to address these issues. The analysis is included in a separate paper (BOD/2019/12/DOC 07).

Committee Consideration: SIC

- The SIC supported the proposal to increase the grant size of KIX based on initial demand and progress per the Board's decision from June 2018 with the caveat that more detailed information about the unfunded demand for KIX global grants must be provided in the supporting document for the Board to make its decision. This information is now included in this document. The Chair, MLA 1 and CSO3 declared a conflict and recused themselves and no observers were present in the room.

Committee Consideration: GPC

- The GPC recalls that the Board in 2018 decided that ESPIG/Multiplier applications of US$5 million and below could choose whether to adopt a variable part. Based on that Board decision, the FRC recommendation increasing the MCA floor for non-SILDS countries to US$7.5 million would result in countries with current MCAs up to US$5 million being required to adopt a variable part. The Committee notes that this is not desirable for countries planning to submit applications in 2020 as they have already started the planning process. Therefore, the Committee recommends that non-SILDS countries with original MCAs of US$5 million and below applying in 2020 may

proceed with an application that has no variable part. The Committee notes that applications without a variable part would still need to demonstrate that the education sector plan includes robust strategies on the variable part dimensions of equity, efficiency and learning.
Board Policy Reference: Additional Allocations – BOD/2017/12-18, BOD/2018/06 DOC 08 KIX - BOD/2019/03 -01, BOD/2018/06 - 11

1. Objective

1.1 This document complements the financial forecast (BOD/2019/12/DOC 06) which outlines the potential to reallocate funds as a result of a backloading of a significant number of grant applications into 2020, and the expectation that some countries will not be able to access their maximum country allocation in the current replenishment period.

1.2 The document sets out recommendations previously discussed by the relevant Committees in October to:

- Increase the utilization of GPE resources in the current replenishment period by raising the minimum Education Sector Plan Implementation Grant (ESPIG) amount **(FRC Recommendation)**
- Increase the grant allocation for the Knowledge and Innovation Exchange (KIX) mechanism based on initial progress and demand. **(SIC Recommendation)**
- Related to these recommendations but covered in a separate document (BOD/2019/12/DOC 09) is a proposal to increase the funds available for GPE's accelerated support modality **(FRC Recommendation with GPC input)**

1.3 A separate document (BOD/2019/12/DOC 07) outlines some of the bottlenecks to timely allocation and utilization of resources which was requested by the FRC.

2. Recommended Decision

BOD/2019/12-XX – **Additional Funding:** The Board of Directors recognizing the need to maximize the level of funding to support implementation of GPE 2020 and to respond to the needs of partners approves the following:

1. Increases the Maximum Country Allocation floor for ESPIG eligible Small Island and Landlocked Developing States to US$2.5 million and for all other ESPIG eligible countries to US$7.5 million.

2. In reference to BOD/2019/12-05-Application of the Variable Part, notes that non-SILDS countries with original MCAs of US$5 million and below that are submitting applications in 2020 may continue to choose whether to adopt an ex-post variable part.

BOD/2019/12-XX – <u>Knowledge and Innovation Exchange</u>: The Board of Directors:

1. Refers to its decisions to approve an allocation of US$58.5 million (BOD/2019/03 -01), and to consider a potential increase in funding based on available resources, initial demand, and satisfactory progress (BOD/2018/06 - 11)
2. Approves an additional US$12 million (inclusive of agency fees of US785,047) to the International Development Research Centre as Grant Agent for the Knowledge and Innovation Exchange (KIX) mechanism to fund quality applications from the first global call for proposals as described in BOD/2019/12 DOC 08 Annex A

Please note the related recommendation on increasing allocations for accelerated support is provided in the separate document (BOD/2019/12/DOC 09).

3. Background

3.1 As outlined in the Financial Forecast, there is a significant number of grant applications that are expected to be made in 2020, and it's likely that some applications may fall into the next strategic plan and replenishment period in 2021. The Secretariat has discounted the value of outstanding allocations to take this into account in the forecast which has the result of making funds available for new allocations as recommended by the FRC and SIC.

3.2 Information on some of the factors impacting the pipeline of applications and actions that can be taken over the short and long term to address these issues are outlined in a separate paper. The proposed recommendations do not impact the direction or prejudice any decisions that may be made in terms of how the Board wishes to allocate and prioritize resources in the new strategic plan period from 2021 onwards and would apply to the current replenishment period only.

3.3 The Board's decisions from June 2018 (BOD/2018/06-11 and 12) provides an opportunity to potentially scale up the Knowledge and Innovation Exchange mechanism by US$20m and Education Out Loud (EOL) which was formally known as Advocacy and Social Accountability (ASA) by US$10m, subject to availability of resources, and demonstration of demand and satisfactory progress. The FRC has confirmed availability of resources, and the Strategy and Impact Committee considering initial demand and progress now recommends to the Board to make an additional US$12 million available for KIX. This will be available to finance quality proposals from its Global Call for Proposals. Further

information is outlined in Annex A. The remaining US$8 million for KIX and US$10 million for EOL may be requested in 2020 based on the next round of applications for KIX and first round of proposals for EOL. However, it is not proposed to reserve any funds in the financial forecast at this time given proximity to the next replenishment period.

3.4 The Board in 2017 determined to increase the minimum ESPIG size and increase the cap of US$100m on ESPIGs should GPE's replenishment funds reach a certain level. In June 2019, the Board increased the cap, and considering availability of funds per the financial forecast, the recommendation from the FRC is now to increase the floor for Small Island and Landlocked Developing States to US$2.5m and for remaining eligible ESPIGs to US$7.5m which would be consistent with the original intention of the Board from 2017. Further information is provided in Annex B.

Annex A KNOWLEDGE AND INNOVATION EXCHANGE (KIX)

1. When the Board approved an initial envelop for KIX of US$60m in June 2018, an additional USD20m was envisaged for potential additional investment that could be requested by SIC before the end of 2019 if sufficient progress and demand for KIX could be demonstrated, and if the funds were confirmed as available by the FRC.

2 The call for global grants to 'S*trengthen education systems with proven innovations*' was launched on 16th July to award up to twelve grants worth a total amount of US$12 million[1] in the six initial KIX thematic areas: data systems, learning assessment systems, teaching and learning, gender equality, early childhood care and education, and equity and inclusion. Six discussion papers intended to inform the areas of investment under KIX were developed by the GPE Secretariat and published on the GPE website; and all proposals have been assessed for the extent to which they are aligned with the list of priority areas outlined in these papers. Additionally, the call required that gender equality be mainstreamed across all proposals along with equity.

3 An Independent Assessment Panel (IAP) was recruited to assess proposals, and decisions will be communicated to selected grantees before the end of 2019. Once selected, IDRC Program Officers will work with grantees to adjust and refine both technical and budgetary aspects of their proposals. This in keeping with the timeline of the original proposal.

4 As of 1st October the KIX global call received 190 proposals. 130 of these have been confirmed as being eligible for review, and 29 (with a financial total of US$53M) were shortlisted for assessment by the IAP. Each short-listed proposal is being evaluated by three members of the IAP to ensure a transparent, fair, and rigorous selection process. At the time of writing the Board papers, initial scores from the IAP suggest that more than 12 proposals will be scored as either strong or excellent, meaning there is likely to be over US$25M worth of proposals that will exceed quality benchmarks and could be recommended for funding. Between November 22nd and November 26th IDRC will facilitate the IAP experts to consolidate their scores and share a recommended set of projects with the Secretariat just ahead of the GPE Board meeting. The Secretariat and IDRC will finalize the recommendation after the Board meets following confirmation of total available funds. Providing an additional US$12 million per the budget set out in table 1 below would allow approximately twice as many proposals to be funded from the current batch of applications. This additional funding will enable KIX to achieve a greater level of results toward its objectives while leveraging administrative economies of scale, which will reduce the relative proportion of program management and administration.

5 In line with IDRC's ongoing commitment to KIX, IDRC will co-invest alongside the additional GPE funds commensurate with the ratio of its original contribution. IDRC's contribution will off-set the costs of hiring an education specialist in its Delhi office to manage KIX programming in the Rest of the World hub and the projects that are funded in that extremely diverse region[2]. Table 1 below shows how the additional funds would be allocated, including IDRC's contribution.

[1] Per approved proposal.

[2] The original approved KIX proposal indicates that IDRC would consider hiring an additional Program Officer in the Delhi office and extending staff on 3-year contracts where warranted if GPE released the ring-fenced USD$20M. IDRC proposes to hire the Program officer with the

Table 1: GPE and IDRC contribution to KIX additional financing

	Supplementary Budget	**TOTAL USD**	%	**GPE Contribution**	**IDRC contribution**
1	Research and knowledge exchange grants	**$ 11,278,138**	88.3%	$ 10,592,287	$ 685,851
2	Program implementation support activities	**$ 0**	0%	$ 0	$ 0
3	External audits	**$ 0**	0%	$ 0	$ 0
4	Program management and administration*	**$ 662,984**	5.2%	$ 622,666	$ 40,318
5	Indirect cost recovery and IDRC managed funds	**$ 835,879**	6.5%	$ 785,047	$ 50,852
	TOTAL**	**$ 12,777,001**	**100%**	**$ 12,000,000**	**$ 777,001**

US$12M and if an additional US$8M is approved next year, extend the contracts of selected staff on 3-year contracts to the full five years of the program.

ANNEX B INCREASING MCA FLOOR

1. In 2017, the Board agreed on increased MCAs in the event of a higher replenishment scenario. These recommendations included increasing the cap of US$100m on Education Sector Program Implementation Grants (ESPIGs) which was actioned in June 2019. It also envisaged increasing the floor of the MCA for ESPIG eligible countries other than Small Island and Landlocked Developing States (SILDS) above US$5m. Finally, it envisaged increasing the floor for SILDS up to a maximum of US$2.5m. The latest financial forecast shows that funds could be made available and the original intention to raise the floors can be actioned by the Board.

2. For the SILDS, the Board's decision from June 2018 made partial progress by merging unused MCAs from the 2015-2017 period with a new MCA from the 2018-2020 period subject to a cap of US$2.5m. This approach resulted in five SILDS having their MCAs increased to US$2.5m. The remaining twelve ended up with allocations ranging between US$1.3m to US$2.1m. The twelve countries that would benefit from an increase of the floor to US2.5m and related amounts are set out in the table below.

Small Islands and Landlocked Developing State (All Figures USD Millions)	**Original MCA**	**Proposed Revised MCA**
Dominica	1.3	2.5
Federal States of Micronesia	1.8	2.5
Grenada	1.3	2.5
Guyana	1.3	2.5
Kiribati	1.8	2.5
Marshall Islands	1.8	2.5
Samoa	1.9	2.5
St Lucia	1.3	2.5
St Vincent	1.3	2.5
Tonga	1.8	2.5
Tuvalu	1.8	2.5
Vanuatu	2.1	2.5
Total	**19.5**	**30**

3. Raising the floor from US$5m to US$7.5m would benefit nine countries as set out below

Country (All Figures USD Millions)	**Original MCA**	**Proposed Revised MCA**
Comoros	5	7.5
Djibouti	5	7.5
Gambia	5.3	7.5
Guinea Bissau	5	7.5
Lao PDR	5	7.5
Lesotho	5	7.5
Mauritania	6.8	7.5
Nicaragua	5	7.5
Papua New Guinea	7.1	7.5
Total	**49.2**	**67.5**

Impact on Financial Position – The financial impact of the recommendation is US$28.8m plus applicable agency fees and is not considered to have a significant impact on GPE's financial position based on the latest Financial Forecast.

Impact on Transaction Costs – 17 of the 21 countries that would benefit from this proposal have still to submit applications for their MCAs or portions of their existing MCAs. In these situations, transaction costs are limited as they will now just submit a single larger application. In addition, four of the states that are members of the Organization of Eastern Caribbean States will be submitting a single multi-country application and it's expected that some of the Pacific Islands will do likewise, further limiting transaction costs and maximizing economies of scale.