SECRETARIAT SURGE BUDGET FOR FOURTH GPE REPLENISHMENT CAMPAIGN

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

Committee Consideration:

- Understood the need for a surge budget but noted that there needs to be a substantial Board discussion in December on replenishment strategy first before approval and noted the Secretariat's commitment to send materials in advance of the Board to facilitate such a discussion.
- Requested substantially more information and justification on the individual budget items from the Secretariat in writing, which was satisfactory.
- Raised a number of questions which are contained in Annex 1 to BOD / 2019/12 DOC 10
- Assuming the Board members have discussed replenishment, strategy and are comfortable with the working assumptions, recommend that the Board approve the surge budget over a three FY time-frame.

1. Objective

1.1 The objective of this paper is to request the Board's approval of the Secretariat's proposed surge budget for GPE's fourth replenishment campaign.

2. Recommended Decision

BOD/2019/12-XX—Replenishment Surge Budget: The Board of Directors:

1. Approves a multi-year Secretariat surge budget for GPE's fourth replenishment campaign of US$3,665,007 over the period FY20-FY22 as set out in Annex 2
2. Notes that the budget for the financing conference will be submitted at a later date once hosts, venue and other logistical options are determined

3. Background

3.1 The Dakar Financing Conference ended a 18-month replenishment campaign and delivered US$2.3bn in donor contributions and US$110bn in DCP pledges, for a three-year period. The Board had approved Secretariat additional costs for the campaign of almost US$3m under different surge budget requests. This sum did not include the financing conference itself, which ended up costing US$1.3m.

3.2 The replenishment campaign will have four core deliverables:

- Significantly increase financing to the Global Partnership for Education Fund, to enable more extensive support to DCPs with more and better financing
- Further diversify the GPE donor base to lower the proportion of financing sourced from a few donors
- Leverage much greater levels of domestic financing
- Catalyze other aligned external financial investments in support of DCP sector plans, including co-financing, pooled funding and innovative financing.

The Board will consider overall replenishment strategy, deliverables and ambition during the Strategic Plan discussions at the Nairobi December 2019 Board meeting. The Secretariat will circulate a replenishment strategy presentation pre-read prior to the Board meeting to assist the Board discussion. The Board retreat in March will also include discussions on the replenishment strategy. The Secretariat's working assumptions below (on the timing and level of ambition) will be discussed and possibly revised then.

3.3 The Secretariat's working assumption for GPE's fourth replenishment campaign is that it will be specifically linked to the new Strategic Plan, possibly with a financing window of five years. The longer timeframe would save money in replenishment surge costs and create greater stability and predictability. The Secretariat has studied GAVI's experience and believes for most donors the longer timeframe would not be a major hurdle. A mid-term review with some confirmations and top-ups would be likely but is not a campaign or costly exercise. For those donors that make annual allocations, there is no difference between a three or five-year replenishment.

3.4 According to the timeline shared with the Board in June 2019 (and based on the lessons from the independent review of the previous campaign), the identification of co-hosts will occur in the first part of 2020; the Case for Investment and establishment of targets will be prepared in parallel with the latter stages of the Strategic Plan development; a major event, including

highlighting domestic financing progress, will be held at Dubai EXPO in March 2021; with the financing conference in mid-2021.

3.5 Annex 1 sets out responses to questions from the FRC, including the justification for going to market in 2021. Annex 1 answers questions on the status of the four previous surge positions and confirms that the surge budget set out in Annex 2 is not anticipated to take the Secretariat beyond the 5-7% operational expenses ratio set by the Board.

3.6 The Secretariat's working assumption for planning and budgeting purposes is projected ambition of a range of US$750m to $1bn per annum. US$1bn per annum in donor contributions over a five-year period (close to 35% increase per annum). Another Secretariat's working assumption is that there will be further progress on domestic financing requiring a more concerted engagement with Finance Ministries, as signaled by the FRC. Unlike previous replenishment campaigns there will be a stream of work on co-financing, alignment and innovation. Annex 2 outlines the requested surge budget, for a total sum of $3.66m for the period January 2020 to August 2021, assuming a financing conference in May, June or July 2021. One of the lessons learned from the Dakar conference was that surge costs did not end at the close of the conference itself, but that there was a significant amount of close-out for another two-three months. Overall the proposed surge budget would represent better value for money compared to the previous campaign given it is for a five-year replenishment rather than three.

3.7 If the Board seeks **greater ambition** for the campaign or decides to lower its ambition, then this sum will need to be revised accordingly.

3.8 The budget does not include the financing conference itself. The Secretariat will revert to the FRC and Board on this item once the co-hosts have been identified and the nature of the conference and its venue determined. The Dakar conference cost US$1.3m, outside of the venue cost which was paid for by the Senegalese government.

ANNEX 1: QUESTIONS AND COMMENTS FROM THE FRC

Secretariat to provide additional detailed explanation on budget items in a separate annex to the FRC

This information was provided to the FRC, outlining i) the rationale for additional resources over and above the existing resource mobilization footprint, ii) detailed information on the roles and outcomes for full and part-time consultants, iii) detailed explanation of procurements, iv) detailed explanation of travel, v) metrics on level of effort, vi) identification of budget items that specifically relate to lessons learned from the previous replenishment

Please provide options on staffing levels vs full-time consultants – pros/cons including cost implications

The Secretariat has two options to secure full-time functions during the life of a replenishment campaign: extended term consultants or 18-month time-restricted staff contracts. The former are employed for a two-year period, come with a 30% World Bank on-cost above salary and places some restrictions on the consultants from future work with the Bank. The 18-month staff contracts carry a 70% World Bank on-cost and place no restrictions on future consulting work with the Bank. The overall cost difference is negligible between the two, with the shorter staff contract preferable in attracting high quality individuals. The recruitment process for extended term consultants is slightly simpler than a staff contract.

Important to factor in other possibilities to mobilize actors beyond just Min. of Education such as Min. of Finance and also important to consider individual country timing regarding its medium-term financial planning

The domestic financing agenda has been one of GPE's success stories in earlier replenishment campaigns, though we have faced hurdles with a lack of Finance Ministry engagement. We fully agree with this comment and recommendation, which can also help drive greater alignment and more efficient and effective domestic and external financing. One of the replenishment goals is to do much more on the leveraging more and better financing, which is not possible without greater Finance Ministry involvement.

Reference impact on the 5-7% OPEX ratio

The surge budget is not expected to bring the Secretariat budget outside the 5-7% range for operational expenses in either FY20, FY21 or FY22 due to the increasing value of grant disbursements over this period

Please provide a clear explanation of use of surge term positions previously recognized

For the 2017/18 replenishment campaign, the Board approved four surge positions, which were subsequently added permanently to the Secretariat headcount. The four are as follows:

- European donor team support;
- Two positions for public policy and advocacy, one for the global south and one for the global north;
- Project management, coordination

The four positions are still in place, indeed the four individuals we hired on temporary contracts in 2017 remain in their roles.

However, three other positions/head count in the External Relations team have been reallocated by senior management to other parts of the Secretariat (KIX, Country Support, Governance) in response to evolving priorities within a sensibly capped staffing ceiling.

Why do we need a replenishment if cash balances are high? Can we do it later?

We need the predictability early on in the strategic plan cycle to ensure country planning for grants. A replenishment is centered on pledges, which allows GPE to determine allocations and commitments, while the cash/liquidity element follows once the timing of payments within the pledge are agreed with donors. For example, under the current replenishment we had always predicted a back-loading in the cycle for approvals and cash disbursements, which is exactly what we are seeing, and some donors structured the timing and amount of their contributions accordingly. The target for the next replenishment will take into account the aspirations of the plan, its ambition, its scope and financial needs. We would expect to finalize the target itself in the summer of 2020, linked to the strategic plan

Why a 5-year replenishment?

It is linked to the Strategic Plan and is also cheaper and more efficient.

Why a $400,000 close out budget item?

This is what it cost after the third replenishment conference, so we are simply following precedent. Included in this would be administrative and staffing close down activities, an independent lesson learned exercise, an internal thorough project review, reporting, production of outcome publications, a video etc....

ANNEX 2: REPLENISHMENT SURGE BUDGET FROM JANUARY 2020 – AUGUST 2021

The assumptions underpinning the line items have been reviewed separately by the FRC

Type	FY20	FY21	FY22	Total Proposed Amount (FY20 to FY22)
Secretariat Cost	734,189	2,528,873	401,945	
Total Cost	**734,189**	**2,528,873**	**401,945**	**3,665,007**

Aggregated budget breakdown

Activities	Full time Consultants	Part time Consultants	Procurement Services	Events	Travel
Preparatory work and fundraising in new markets	232,596	258,770	200,000	62,500	40,000
Support to partners in existing markets	232,596	226,200	100,000	62,500	40,000
Northern CSO engagement and support	179,943				22,500
Southern CSO engagement and support	179,943				22,500
Support to Private Sector and Foundations work	262,772			15,000	35,000
Support to Global ambassadors and other champions		93,030			
Support to co-hosts		86,200			
Admin support	194,376				
Global/regional events		132,800		200,000	
Creative comms products - Replenishment materials, social media, infographics etc.	131,386	97,450	55,000		45,000
Translations			55,000		

Campaign closing, reporting, evaluation	201,945		200,000		
Activities	**Full time Consultants**	**Part time Consultants**	**Procurement Services**	**Events**	**Travel**
Total	**1,615,557**	**894,450**	**610,000**	**340,000**	**205,000**