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Dr Alison Evans

GPE Hosting Review - Options






The context 2012 - 2015

- EFA remains a critical framework, evidence of real progress but the optics of development are also changing:
  - Shifting wealth, shifting geography of poverty, new actors, focus on fragile states & marginalized populations
  - Collective action problems in providing public goods increasingly being addressed through multi-stakeholder/multi-sector partnerships
  - Development financing looking to catalyse further domestic financing as well as private & non-traditional flows

The challenge

- What does this changing context mean for GPE?
- What does it mean for the current hosting arrangement for GPE?
- Does the current hosting arrangement adequately serve delivery of GPE's mission – is it fit for purpose?

A fit for purpose arrangement?

- The changing context is generating calls for a more nimble GPE; more catalytic & innovative
- Worries that education lacks a clear global champion able to lead transformation
- Concerns expressed that GPE's current hosting limits its ability to make this happen:
  - Conflicts of interest between the host as trustee, partner & administrative entity
  - Dual accountability – 'serving two masters' – hampers Secretariat decision-making authority & intellectual/operational independence
  - The hosts administrative procedures limit the scope for speed and innovation
  - Bank predominance as supervising entity detracts from GPE independence at country level

A fit for purpose arrangement?

- Hosting continues to be the preferred form for a large number of GRPPs. Many of the *challenges* of hosting are common to global & regional programmes **wherever they sit** *(WB Involvement in Global & Regional Programs IEG 2011)*

- In interviews it became quickly clear that the costs and benefits of being administered in the Bank are two sides of the same coin (see Table).

- It also became clear that many of the concerns about hosting are not specific to hosting but relate to a broader set of concerns about content, performance and GPE's operational model.

Three tests for moving forward

- To identify future options - 3 simple tests:
  - Are the real/perceived costs of being hosted in the Bank greater than the benefits, and if so are they amenable to change?
  - Is the problem of hosting specific to the Bank or to hosting per se?
  - Will the concerns about the positioning of GPE be solved by changing the hosting arrangement?

Benefits	Costs
Positioning & leadership - being located in the Bank allows the Secretariat to capitalise on the Bank's global positioning & convening power, and draw down on its reputation for effective fund management.	Positioning in the Bank limits the Secretariat's intellectual & operational independence. Bank line management creates a dual accountability problem resulting in an underpowered Secretariat. Resource mobilisation is constrained by the strong identification of GPE with the Bank.
Technical support & globally relevant knowledge – on-demand access to a wealth of technical support, the latest sector and country data supports the work of the Secretariat in multiple ways. The Secretariat also plays an important evidencing & advocacy role within the Bank.	Access to internal Bank advisory & knowledge networks supports the work of the Secretariat but it also privileges a Bank-centred view of issues and priorities in education. Reduces GPE's intellectual independence.
Management & administrative services – access to HR, procurement, financial management and legal support services allows the Secretariat to remain administratively lean and to focus its staffing on program delivery.	Bank processes are designed for core Bank business. HR & procurement systems are too heavy duty for Secretariat needs & procedures can be slow and inflexible. Current sector board rules limit seniority of staff in the Secretariat & tends to favour internal recruitment.
Travel & security support – a comprehensive travel service paid for at cost with significant additional support. As Bank employees, staff are covered by Bank security services, including when they are in country. Working in fragile states places a high premium on this kind of service.	Travel services not as competitive as the open market. Costs are high. Reliance on Bank supports, particularly at country level, aggravates problems of communicating a clear GPE identity.
Infrastructure at country level – an extensive network of Bank country offices provides vital infrastructure for Secretariat staff.	Bank as supervising entity locks staff into 'being Bank staff first, GPE staff second'. LEGs/LDGs tend to be donor dominated and lack representivity .
Quality of staff & benefits – recruitment processes ensure strong sector relevant competencies and provide options for re-employment in the Bank . Benefits attract an internationally competitive workforce.	Bank procedures (sector boards) serve Bank needs first and foremost. Insufficient flexibility & management of recruitment results in a mismatch of skills & competencies for GPE needs.

What does the *evidence* say?

- The benefits and costs are very much in the balance – with a clear reduction in some perceived costs since the reforms of 2009
- Several of the concerns raised about GPE are not directly about being hosted in the Bank e.g.
  - Resource mobilisation
  - Too few alternative supervising entities
  - Weak local education groups/lack of representivity at country level
  - Limited convening power with non-traditional actors
- Other global initiatives hosted in the Bank have found ways to create a clear separate identity and proactively manage the inherent conflicts of interest e.g. Global Agriculture & Food Security Program (GAFSP),Climate Investment Funds.

The evidence…

- Non-Bank hosting arrangements can generate a very similar set of costs/benefits
- The full range of services offered in-house by the Bank keeps running costs *relatively* contained for GPE (admin:spend ratios being a lot lower than other global funds) .
- There are numerous 'intangibles' that the Bank offers as host that offer significant potential for GPE staff:
  - access to technical support, communities of practice & data
  - access to key decision-makers at country level (especially Ministries of Finance/Planning)
  - engagement with influential Bank sector teams
  - convening power

To conclude…in my judgement

- There is not enough evidence to conclude that ***hosting on its own*** is inhibiting the delivery of GPE's mission.
- A lot has changed (for the better) in the last 3 years which indicates some room for further improvement
- **BUT** the demands on GPE are changing and the ability of the Secretariat to adapt will be critical to its future effectiveness
- Positioning GPE as a global catalyst and convenor of support for education will require changes at a number of levels
- ***What's important is that issues of organisational design do not detract from crucial issues of strategic content and performance***

What next?

- Hosting means operating within the business model of the host.
- It is possible that shifting GPE to an alternative host organisation would alleviate some of the current concerns but as an option it appears more risky because:
  - there are few (if any) hosts available with the right kind of global presence;
  - there is no guarantee of improved performance (as per findings of the IEG Evaluation)
- But the experience of other global programs in the Bank suggest that there is scope for more active management of perceived conflicts of interest & for a clearer definition of roles & responsibilities.

What next….

- **Most important of all** is to avoid a disorderly transition and/or paralysing uncertainty (both of which pose significant costs).

- With this in mind a two-stage process may be the best way forward:
  - **Stage One**: retains the current arrangement with clarified roles & responsibilities and clear benchmarks for improved performance. **If these are not met, then:**
  - **Stage Two**: sets out a path towards a fully independent administrative body supporting the GPE.

Stage 1: Status-Quo 'Plus'

- **The Secretariat remains hosted in the Bank, but with**:
  - More senior & independent leadership
  - A clearer statement of roles and responsibilities between the Secretariat, the Board and Bank management, supported by the establishment of an executive committee (Ex Co) of the Board to improve critical decision-making speed.
  - A decision-making role for the Board chair/ExCo in performance managing/recruiting senior leadership in the Secretariat
  - Agreement with the relevant sector board that only 1 short listed candidate per GPE term/LTC post should be internal to the Bank (except for fiduciary mgmt positions)
  - Agreement on a % cap for staff recruited from within the Bank into the Secretariat i.e. 'no revolving door'.
  - Agreement on a modus operandi for sole source/non-competitive bidding (for Secretariat-specific purposes) up to a maximum financial threshold.

..and some changes to the model

- Doing business more effectively (and independently) within the Bank's business model also requires:
  - More independent technical input (such as an independent technical advisory committee to the Board c.f. GAFSP)
  - An urgent accreditation process for non-Bank supervising entities with streamlined fiduciary requirements
  - Agreement that the Bank will deploy its latest 'Payment 4 Results (P4R)' modalities where it is the supervising entity (which allows for the use of country systems & the co-mingling of funds)
  - More active Secretariat support to Local Education Groups, greater representivity & support for innovative partnerships

Criteria for success

- Strong CEO appointment with Board involvement
- Executive Committee & Independent Technical Advisory Committee formed and functioning within 3 months
- New Agreement reached within 3 months on administrative rules/support to the Secretariat
- A GPE scorecard in place managed by the Secretariat setting out key operational performance indicators up to end 2013 covering:
  - Portfolio management e.g financing efficiency & effectiveness (speed/focus of disbursements, decision times on funding)
  - Administrative effectiveness e.g. average elapsed times for key Secretariat recruitments, elapsed times for key procurement decisions, decision-times on core management priorities
  - Effectiveness/quality of WB engagement

If real change is not forthcoming by end 2013….

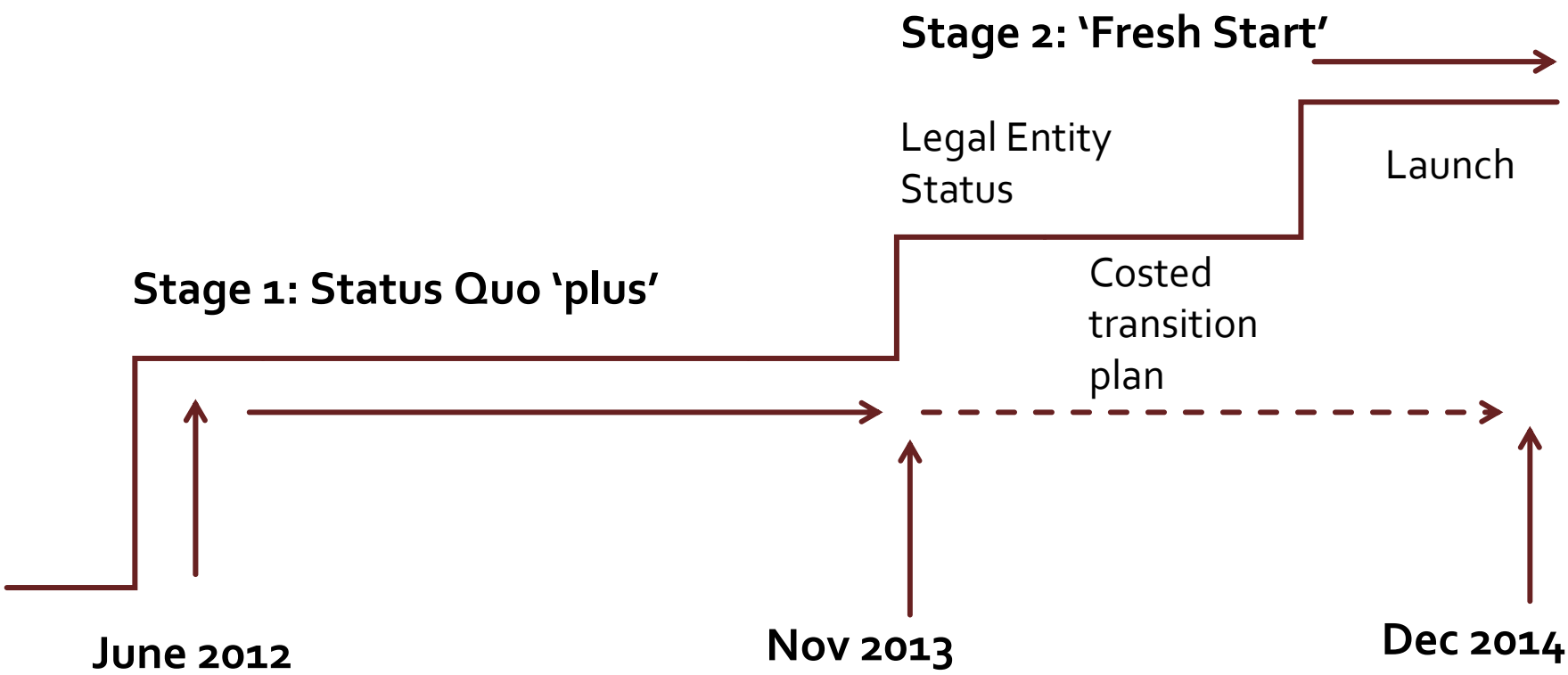
- If performance indicators are not moving in a positive direction then a decision should be made to switch to stage 2.
- The timing of the decision is delicate with another replenishment round due in 2014
- Given the potential risks to *business as usual* it would be wise not to rush the decision without (a) giving stage 1 a chance to deliver and (b) undermining the next replenishment with uncertainty.
  - An important finding in the GRPP evaluation is that: *"in almost every case, IEG found that changing the location of the organisation had a negative impact on the program's efficiency during the transition"* (:63)
- Any work on stage 2 should therefore be timed carefully around the next replenishment meeting.

Stage 2

- **Establish a fully independent Secretariat, but also change the operational model**
  - A fully independent administrative body will require separate legal status (i.e. in Geneva or other domestic jurisdiction willing to provide the required 'international status' to staff). This is not hard to do but will require significant legal input & 6 months minimum.
  - Note, both the Global Fund and GAVI had legal entity status before they transitioned from their hosts.
  - Trusteeship should remain with the World Bank (alternatives exist but are unlikely to be warranted in the circumstances)

Evolve the model

- Partners will need to agree on an independent model for country-level supervision headed by stronger/more diverse Local Education Groups.
- Core emphasis should be placed on independent technical input & oversight of GPE grants plus non-governmental channels for managing funds.
- Innovation should be at the heart of the GPE model, with quicker disbursement, more piloting and stronger use of the best evidence for delivering improved outcomes (this applies in stage 1 also)
- If this path is chosen, a step-wise process run in parallel to business as usual is probably the most sensible (albeit more costly) approach.


Stage 2: 'Fresh Start'
Legal Entity Status
Launch
Stage 1: Status Quo 'plus'
Costed transition plan
June 2012
Nov 2013
Dec 2014

Possible time path

- **Step 1:** end 2013 find a domestic jurisdiction willing to provide legal entity status, establish a small legal team (with possible in-kind input from GPE partners) to secure legal entity status.
- **Step 2:** Recruit a small consultant team to plan, cost and oversee all aspects of the transition running in parallel with the current Secretariat arrangement, ranging from identifying critical in-house infrastructure and relevant outsourced services to staffing, contracting & pension fund arrangements. Note: GFATM's set up costs were close to $25m but for a much larger organisation ($15m transition pension credits).
- **Step 3:** Identify a process for establishing coordination units in a number of critical GPE countries (as a first wave), identify an upfront accreditation process for entities coordinating and/or managing funds on behalf of the LEG.
- **Step 4**: plan for launch and closing down business in the Bank by end of 2014.

Costs/benefits & risks (Stage 1)

- Stage 1 does not impose significant additional costs, except for those associated with establishing the new committees and negotiating a new Agreement with the host.
- The benefits are significant in terms of continuity, giving time for reforms to take hold and focusing time & energy on improving performance instead of 'moving the chairs around'
- The main risks are that:
  - The proposed changes will not generate the desired improvements in strategic leadership and performance
  - The partners do not rally behind a strong global agenda for GPE and hence administrative changes have little chance of making a difference
  - Uncertainty over independence and identity continues to 'blight' GPE's status as a global champion

Costs/Benefits & Risks (Stage 2)

- It is virtually impossible at this stage to fully cost stage 2 – it depends hugely on the location, the potential for in-kind support, the costs of winding down the current arrangement and future plans around staffing etc. **But the set up costs will be significant.**
- The benefits are essentially those of 'rewriting the rule book' with a chance for GPE to design from scratch the organisational & governance structure it needs to deliver in a rapidly changing & increasingly demanding context
- The risks are:
  - The GPE fails to rally behind the new model and the opportunity to seize the global agenda is taken over by events linked to post-2015
  - Transition is disorderly, costs escalate & GPE loses reputation as a result
  - Measures put in place to retain and relocate staff do not hold and GPE suffers a major short term staffing crisis
  - Traditional donor partners reduce their contributions to GPE, concerned about value for money

In the final analysis

- Form should follow function. In today's climate this requires putting results at the forefront before the intricacies of institutional design.
- My personal view is that stage 1 has a great deal of potential and should be grabbed with both hands. The Bank is and can be a strong host if the willingness is adapt is met on both sides.
- If stage 1 is successful then stage 2 is no longer necessary and should be put to bed once and for all.
- However, if change is weak/insufficient then in late 2013 plans should be made to switch to stage 2.
- Stage 2 should be run in parallel and timed to coincide with the replenishment process in 2014.

