REPORT OF THE FINANCIAL ADVISORY COMMITTEEPART 2: RECOMMENDATIONS ON PROGRAM IMPLEMENTATION GRANT ALLOCATIONS

For Decision

1. PURPOSE

The purpose of this paper is to provide to the Board of Directors (the "Board"):

a. the recommendations of the Financial Advisory Committee ("FAC") regarding the current round of program implementation grants discussed at its face-to-face on 15-18 October 2013 in Washington, DC; and

b. the FAC's observations on general trends in relation to program implementation grants.

2. RECOMMENDED DECISION

The FAC recommends the following decision to the Board

BOD/2013/11-XX –<u>Approval of Allocations for Program Implementation Grants</u>: The Board of Directors:

1. approves the allocation from GPE trust funds for the program implementation grants as described in the applications submitted in the second round of 2013 and that are listed in Table 1 of BOD/2013/11 DOC 06B, subject to:

   (a) availability of funds;

   (b) Board decision BOD/2012/11-04 on commitment of trust funds for program implementation grants; and

   (c) any conditions listed in Table 2 of BOD/2013/11 DOC 06B.

2. requests the Secretariat to:

(a) include in its notification to each of the relevant Local Education Groups of the approval of the allocations, the conditions, requests for report back and observations on the program set out in Table 2 in BOD/2013/11 DOC 06B;

(b) provide to the Financial Advisory Committee[1] (or its successor committee) an update at its next face-to-face meeting on the issues listed as "report back" in Table 2 of BOD/2013/11 DOC 06B; and

(c) provide to the Local Education Groups in Nigeria the reasons that the FAC did not recommend an allocation in response to its proposal, as indicated in BOD/2013/11 DOC 06B, Table 2, and encourage Nigeria to resubmit an application in 2014.

3. REASONS FOR RECOMMENDATION

3.1 Table 1 below contains a summary of the program implementation grant applications reviewed by the FAC at its meeting on 15-18 October 2013 and the FAC's recommendations on funding (including supervision allocations and agency fees).

[1]This will be changed to the Country Grants and Performance Committee if the recommendations of the Governance Working Group in BOD/2013/11 DOC 03 are approved by the Board.

Table 1: Summary of Program Implementation Grant Requests and FAC Recommendations for Funding (all amounts in US$)

Country	Supervising Entity (SE)/Managing Entity (ME)	Allocation Requested	Allocation Recom-mended by FAC	Supervision Allocation[2]	Agency Fee % and Amount	Period	Funding Source
Cambodia	World Bank (SE)	38,500,000	38,500,000	400,000	1.75% -673,750	3 years	GPE Fund
Cameroon	World Bank (SE)	53,300,000	53,300,000	400,000	1.75%-932,750	3 Years	GPE Fund
Central African Republic[3]	UNICEF (ME)	3,690,000[4]	3,690,000	n/a	8%-295,200	1 Year	GPE Fund
Djibouti	World Bank (SE	3,800,000	3,800,000	400,000	1.75% - 66,500	3 Years	GPE Fund
Eritrea	UNICEF (SE)	25,300,000	25,300,000	800,000	8%-2,024,000	3 Years	GPE Fund
Ethiopia	World Bank (SE)	100,000,000	100,000,000	400,000	1.75%-1,750,000	3 Years	GPE Fund
Gambia	World Bank (SE)	6,900,000	6,900,000	500,000	1.75%-120,750	4 Years	GPE Fund
Kyrgyz Republic	World Bank (SE)	12,700,000	4,700,000	n/a	n/a	3 Years	Catalytic Fund[5]
			8,000,000	400,000	1.75%-140,000		GPE Fund
Niger	World Bank (SE)	84,200,000	84,200,000	500,000	1.75% - 1,473,500	4 Years	GPE Fund
Nigeria	World Bank (SE)	100,000,000	Re-submission recommended.				

[2] For a number of applications, the amounts listed in the table reflect the FAC recommendation to adjust these amounts downwards to ensure they are within the standard allocation available. The amount requested by the World Bank for Sao Tome & Principe is less than the standard allocation. Amounts recommended for Sierra Leone and Eritrea are within the maximum currently allowed for supervision allocations in fragile and conflict affected states.

[3] Request for funding under the guidelines for accelerated support in emergency and early recovery situations

[4] Request for funding Includes US$175,719 in UNICEF program support costs to be charged directly to the grant.

[5]There are a number of Catalytic Fund trust funds that have remaining balances from which the Secretariat would like to source some of the allocations in order to close them down as soon as possible. The Board's Decision on Annual Commitments (BOD/2012/11-04) will not apply to allocations from these Trust Funds due to the specific structure of these Funds. However, the Secretariat will compensate for this by delaying the commitment for the portion of the allocation to be funded from the GPE Fund so as cash from the Catalytic Funds are utilized first. It is noted that the Catalytic Fund needs an extension to accommodate these continued allocations.

Country	Supervising Entity (SE)/Managing Entity (ME)	Allocation Requested	Allocation Recom-mended by FAC	Supervision Allocation[2]	Agency Fee % and Amount	Period	Funding Source
Saõ Tomé and Principe	World Bank (SE)	1,100,000	1,100,000	250,000	1.75%-19,250	3 Years	GPE Fund
Sierra Leone	World Bank (SE)	17,900,000	17,900,000	526,000	1.75%-313,250	3 Years	GPE Fund
Somalia –South Central	UNICEF (ME)	6,820,000[6]	6,820,000	n/a	8%-545,600	3 Years	GPE Fund
Tanzania	Swedish International Development Agency (SE)	94,800,000	94,800,000	400,000	0%-0	3 Years	GPE Fund
Uganda	World Bank (SE)	100,000,000	100,000,000	400,000	1.75%-1,750,000	3 Years	GPE Fund
Uzbekistan	World Bank (SE)	49,900,000	n/a	n/a	n/a	n/a	n/a
Totals		**699,110,000**	**549,210,000**	**5,376,000**	**10,104,550**		

[6] Request for funding includes US$891,880 in UNICEF program support costs to be charged directly to the grant.

3.2 Each Local Education Group ("LEG") in non-federal states applied for the maximum amount available under the current indicative allocations list. The Board should note the following:

- The Somalia national indicative allocation is US$14.5 million. The grants to Puntland and Somaliland, recommended by the FAC and approved by the Board at its last face-to-face meeting in May 2013, totaled US$6.3 million. In September 2013, the LEG in the South/Central Zone applied for a grant of US$1,380,000 for one year under the accelerated funding guidelines, which the Board approved at its audio-conference on 7 October 2013[7]. The FAC is now recommending the remaining US$6,820,000 for the South/Central Zone.
- The Tanzania national indicative allocation is US$100 million. The grant to Zanzibar, recommended by the FAC and approved by the Board in May 2013, was for US$5.2 million. The remaining available amount of US$94.8 million is now being recommended for approval for the Tanzanian mainland.

3.3 As can be seen from **Table 1** above, the FAC is recommending that the Board approve all of the applications as presented by the relevant LEG, other than those for **Nigeria** and **Uzbekistan** (discussed in paragraph **3.8 and following** below). With regards to Nigeria, the FAC is recommending that the application be re-submitted in 2014, as noted in the proposed Board decision in Section 2.

3.4 **Central African Republic** withdrew its application shortly before the start of the FAC meeting in April 2013, given the *coup d'état* in the country. At that time, the Board was notified that an application under the Guidelines for Accelerated Funding[8] would be submitted as soon as possible. This application, for the amount of US$3,690,000of CAR's US$19,200,000 total indicative allocation was reviewed by the FAC at its meeting in October 2013. Given the proximity of that meeting with the face-to-face Board meeting, the FAC's recommendation on this application is included in this report with the round 2 of 2013 program implementation grant recommendations.

[7] http://www.globalpartnership.org/media/Board/2013-10-Board-audioconference-Chair-Summary.pdf

[8] http://www.globalpartnership.org/media/docs/library/121206_GPE-Guidelines-for-Accelerated-Funding-EN.pdf

3.5 The Secretariat's Final Readiness Reviews under the Quality Assurance Review process for each of the applications (including Nigeria and Uzbekistan), are provided in **Attachment 3** (separate document).

3.6 **Table 2** below contains the FAC's recommended conditions, requests for reports back to the FAC (or its successor committee, given the potential governance reforms recommended by the Governance Working Group) and general observations for each individual applicant LEG (other than Uzbekistan). Pursuant to the recommended decision, these will be communicated by the Chair/Secretariat in the notification to the LEGs of the approval of the allocation (or, in the case of Nigeria, request for re-submission).

3.7 It is noted that the FAC member representing the Supervising Entity in Cambodia and Uganda objected to conditionality being placed on commitment of funds on the basis of the government's contribution to the education sector. In relation to the FAC's comments to the LEG for Uganda to request an indicator for literacy and numeracy, the FAC member noted that the Supervising Entity will ensure that grade 3 numeracy and literacy are monitored as a higher level objective to which the operation will contribute. However the member expressed the concern that the Supervising Entity cannot be kept accountable for increases in learning that cannot be attributed to this intervention in the short time frame of the grant.

Table 2: FAC Comments on Program Implementation Grant Applications

	Conditions	Report Back	Observations
Cambodia	The second and third annual commitment of funds for the program shall only be made if the Local Education Group provides a report to the Secretariat demonstrating that the percentage of the government budget dedicated to education has not decreased from the level in the 2013 budget.		The progress of Cambodia in education to date is appreciated. The level of education spending is comparably low compared to other countries in the region, which is a grave concern. Moreover, the government will need to support the payment of teachers at the large number of schools which will be built with the support of the GPE. The GPE project should be based on an education sector plan approved by the government. The possibility that the ESP may be changed before government approval would make the GPE program less relevant, which is of concern. There is a concern about lack of alignment to the other work supporting education in the country. It is noted that the European Commission is providing its support using budget support. It is important that the learning assessments are accommodated to the local context and used to improve learning outcomes.

	Conditions	Report Back	Observations
Cameroon		The low share of the government going to basic education is noted. The LEG should develop a strategy for monitoring this and report accordingly to the Secretariat.	The high quality proposal is appreciated. It is noted that the amounts of the grant funds directed to paying for contract teacher salaries is high. Any future proposal to GPE should consider increasing the focus on girls and quality, given the challenges in the country. The government of Cameroon is commended for its commitment to pay for teacher salaries after the grant expires. There should be synergies developed between national and regional learning assessments.
Central African Republic			The considerable needs of the country are recognized and the program is well-targeted to the situation. The high risk, given the conflict and security situation, especially for girls, is also noted. There are high technical and administrative costs, at 30% of the budget (with an additional 5% for logistics). The Managing Entity should make every effort to reduce them and is encouraged to use them to contribute to increasing capacities of government and facilitate transition to a normalized situation. The LEG is encouraged to monitor the gender dimension and consider how education could contribute to mitigating the conflict during implementation and monitoring of the project. This should also be considered in developing the full program and GPE funding request.

	Conditions	Report Back	Observations
Djibouti		The low proportion of the government budget share on education is noted. This situation should be monitored by the LEG and reported to the Secretariat. The lack of civil society participation in the Local Education Group is a concern and should be remedied. The situation should be monitored and reported to the Secretariat.	The focus of the program on quality and equity is appreciated. The results of the UNICEF/UIS study on out-of-school children should be considered carefully by the Local Education Group and incorporated into to the design of the program as relevant.
Eritrea		The result framework indicators reflect the education sector plan, rather than the project. This should be replaced in line with the logical framework and reported to the Secretariat when this occurs, preferably before implementation begins.	Appreciate the government's efforts on education, including the focus on girls, equity, out of school children and adult literacy The LEG is encouraged to include increased participation of civil society in its membership and processes. Further coordination between the government and donors in the education sector is encouraged. The program includes a high proportion on construction. Any further request for GPE funding should be focused to a greater degree on improving learning outcomes.

	Conditions	Report Back	Observations
Ethiopia		The difficult working conditions of civil society organizations, and their non-participation in the Technical Working Group (which acts as the LEG) is of concern. There is also a serious concern about the situation and rights of the teachers unions. Progress on a more inclusive LEG should be monitored and reported to the Secretariat.	The results and progress made to date by the GEQIP is impressive. The provision of complementary funding by International Development Association funds and other donors is commended, and the program shows clear alignment of support and ownership by the government.
Kyrgyz Republic			The program is well-targeted, in particular its contribution to early childhood development, which is appropriate to the country context. The sustainability of the program is of concern due to the increased enrolment in early childhood education programs, especially given demographic trends, and should be closely monitored by the LEG. Broader coordination between different ministries to enhance education outcomes is encouraged.
Niger	Due to the concern over absorptive capacity and the inclusion of construction activities, the implementation period is extended from 3 years to 4 years.		The LEG should re-consider the proportion of construction of 6-classroom schools versus 1-2 classroom schools, given the percentage of the population living in sparsely-populated rural areas. There is a concern over the limited emphasis on girls' education in the proposal. The LEG is encouraged to use the contingency amount to supplement activities addressing the low attendance of girls in secondary school due to reasons such as early pregnancy and early and forced marriage.

	Conditions	Report Back	Observations
Nigeria			The enormous needs of Nigeria are recognized and there is a continuing commitment to provide financial support where appropriate. However, the application seems to be rushed. It should be revised and re-submitted, either as one proposal for the relevant states, or separately by state. Some of the matters that need to be addressed include: -inclusion of interventions geared towards mitigating fiduciary and also security risks, in particular for girls - the need to better align the programs to the state-level education sector plans on some issues, including, but not limited to, early childhood development and teacher training -re-consideration of the high proportion of the budget going to school grants and small proportion going to teacher training -weak data collection at the national and state level (including financial data on domestic contributions to the sector) in order to inform the development of the programs -the rational for and sustainability of providing scholarships for girls only in grades 1 to 3 Improved collaboration between all stakeholders in the education sector in Nigeria is encouraged.

	Conditions	Report Back	Observations
Saõ Tomé and Principe			The focus of the proposal on teachers and teaching is positive. There is concern about the use of a program implementation unit, especially given the positive experience with working with the government in implementing the previous GPE grant. The inclusion of civil society organizations and teachers' union in the LEG is encouraged.
Sierra Leone			The focus on teachers in the program, including the teacher services commission, is welcome. The LEG is encouraged to ensure its financing by the government beyond the grant term. There is a concern about low proportion of female teachers. Efforts should be made to increase the proportion. Increased donor collaboration on the ground is needed and would need to be sustained and further developed in particular in the area of monitoring and evaluation. The Supervising Entity is encouraged to use the contingency fee in the budget to conduct a study on how to monitor informal school fees paid in the sector.

	Conditions	Report Back	Observations
Somalia (South Central Zone)		The current draft of the result framework states that baselines will be developed and that there will be no outcomes until 2017. The LEG should report back to the Secretariat on progress on establishing baseline indicators and the possibility of including outcome indicators earlier than 2017. The low percentage of female teachers recruited is noted and continuous effort to increase them is encouraged. Progress on this issue should be reported to the Secretariat. There is a concern about sustainability of teacher incentives system. This issue should be monitored by the LEG, in particular on efforts being made to include the remuneration of teachers into the government budget in the future, and reported to the Secretariat.	There is an appreciation that previous comments made by the FAC on the program (in response to the accelerated funding request) had been addressed. The high management and direct costs is of concern and efforts should be made to reduce them where possible.

	Conditions	Report Back	Observations
Tanzania		There is a lack of coherence in the program, which may impact results. The links between program inputs and outputs need to be improved. The results framework should enable the monitoring of the GPE-funded inputs alongside the broader sector results with special attention to the linkages between program activities and sector progress. In addition, the targets should be reviewed to ensure they are realistic. An improved results framework should be provided to the Secretariat.	The Swedish International Development Agency is applauded for taking on the role of Supervising Entity. It is noted that the decreasing level of quality of education is addressed by the program activities, which is welcome. It is noted that there are many agencies/donors operating in the education sector, and there is a need for increased coordination around a coherent sector plan. The LEG is commended for including the private sector and civil society in its membership and processes. The LEG is encouraged to also include the teachers union.
The Gambia	Given the complexity of the program and the desire to align with country's four-year program cycle, the implementation period is extended to four years.		The innovative elements of the program, in particular the disbursement-linked indicators, is welcome. The co-financing of the program by IDA and government is commended. The program has many components and is complex. It would have been preferable to choose a more aligned modality than a project mode. Every effort should be made to build capacity and encourage the LEG to opt for a more aligned modality for a future grant. It is hoped that the projected increase in government funding for education will occur.

	Conditions	Report Back	Observations
Uganda	The second and third annual commitment of funds for the program shall only be made if the Local Education Group provides a report to the Secretariat demonstrating that the percentage of the government budget dedicated to education has not decreased any further from the level in the 2013 budget.	An indicator on numeracy and literacy by grade 3 should be included in results framework and communicated to the Secretariat once this has occurred, preferably before implementation begins. The government of Uganda is strongly encouraged to increase the percentage of its budget dedicated to education. The LEG should provide the Secretariat with information on progress on this issue as national budgets are agreed.	The focus on numeracy and literacy in the program is appreciated, as is the inclusion of disbursement-linked indicators. There is a concern about limited focus on gender and lack of focus on addressing some of drivers of the out of school populations relating to demand. Special attention should be paid to teacher's working conditions in order to avoid future instability in the education sector.

Request for Guidance on Uzbekistan

3.8 The FAC's review of Uzbekistan's program implementation grant application was "overshadowed" by political issues surrounding reports of forced child labour in Uzbekistan during the cotton harvest, which is being followed up by the International Labour Organization and other United Nations processes. This was brought to the Secretariat and FAC's attention through the civil society constituencies.

3.9 The FAC notes that the Global Partnership has funded education sectors in countries with child labour and other human rights issues in the past. However, in this case, since it is alleged that the child labour is state-sponsored, some FAC members argued that the case was unique and required Board input as it has a potential reputational risk for the Global Partnership.

3.10 On the day of the FAC's review of the application, the Supervising Entity (World Bank) presented a set of measures on behalf of the LEG aimed at addressing the situation. Given the short notice, the FAC did not feel it was possible to assess the possible impact of those measures. In addition, the World Bank noted that the program document will be revised to incorporate those measures. As such, the document was not ready for final review.

3.11 The FAC discussed the fact that Uzbekistan is a middle-income country and some FAC members questioned the need for GPE funding. Nonetheless, the FAC respected the Board's decision made in November 2012, which extended Uzbekistan's eligibility for GPE funding (along with that of Nigeria and Djibouti), despite its current IDA category iii status.

3.12 FAC members also expressed concern about the lack of consultation and restricted membership of the LEG. However, it was recognized that GPE funding for education could contribute positively to the governance situation in the country.

3.13 Given that the documentation needs to be resubmitted (para 3.10), the FAC will not be able to make a recommendation at this point and will have to review the updated application. However before it considers any updated application, the FAC requests direction from the Board on the issues outlined above.

3.14 On a technical level, the following comments were made on the program:

- the attention to early childhood education is appreciated
- a large part of budget was funding the purchase of equipment and it is unclear how this will improve learning outcomes
- the utility of the distribution of picture books for parents is questioned
- there are concerns about the lack of inclusion of ethnic minority languages in the curriculum.

4. FAC OBSERVATIONS ON GENERAL TRENDS WITH REGARDS TO PROGRAM IMPLEMENTATION GRANT APPLICATIONS

FAC members made the following observations about the current set of program implementation grant applications:

4.1 Activities/Focus

- Many of the programs focus on quality issues and early childhood development, but interventions addressing adult literacy and non-formal education, as well as school health and HIV/AIDS, are only addressed in very few instances
- Some of the programs include new potentially innovative ways of financing, like school grants and the use of disbursement-linked indicators; while experimentation with results-based financing is welcome, the implications need to be explored further.
- In many cases the program documents are showing inadequate attention to gender issues, including the promotion of female teachers. The Secretariat's final readiness reviews should mention whether girls' education is an issue in the country and would be an appropriate focus for the program.
- Many countries are now using reading and other learning assessments, which is welcome, provided that they are adapted to the local context and are used to support teachers and improve learning outcomes.
- The FAC continues to question whether the Supervising or Managing Entity priorities, rather than country priorities, are influencing program development

- The issue of informal fees continues to arise in GPE countries, which was noted in the previous FAC report. This needs to be examined at both the country and global level.

4.2 Implementation and Financing Modalities

- The 3-year GPE grant cycle does not align with many countries' education sector planning timelines, which are often four or five years.
- With regards to modalities, many countries specifically request that a project modality be used; the reasons why need to be further explored. It was proposed that the main focus with regards to modalities should be increased use of country systems and coordination at the country level.

4.3 Government Commitment

- The share of the government budget toward education is a continuing issue as it is decreasing in many cases. The Board should consider whether the GPE needs to have a requirement of a certain level of government funding to access GPE funding.

4.4 GPE Processes

- The applications show a continuing tension between the Global Partnership's country-led model and the need to reflect the Strategic Plan priorities, value for money and results; this is particularly evident in the results frameworks which need to both be linked to the country's education sector plan targets as well as the inputs of GPE funding to the overall sector/program.
- FAC and Secretariat members noted that partners acting at the local level sometimes contradict the actors from the same agencies acting at the global level; in some cases issues that were unresolved or ignored at the local level (i.e. in the LEG, during proposal development) are then raised at the global level (i.e. in the FAC or the Board); Secretariat members often struggle with this dilemma.

- The increasing involvement of civil society organizations and other non-governmental organizations in LEG processes is noted. The Board should consider whether non-governmental involvement should be mandatory.

4.5 **Data**

- The FAC noted the importance of availability of data at the project preparation stage that will underpin the design of the programs.

5. NEXT STEPS

5.1 If approved by the Board, the Secretariat will work with the Board Chair to immediately send a letter to each of the relevant LEGs advising of the approved allocation and the FAC's comments on the application. In the case of Nigeria, the FAC's reasons for requesting a re-submission will be delivered to the relevant national and state-level LEGs.

5.2 In addition, the Secretariat will continue to work with the Trustee to finalize the outstanding Financial Procedures Agreements with the relevant Supervising Entities and to issue the letter of commitment for the first year of each program implementation grant for existing Supervising and Managing Entities.

5.3 The FAC notes that the "report back" on the grant applications, as well as the general observations made in Section 4 above should be shared with the new membership of the FAC (or its replacement committee).

5.4 In the case of Uzbekistan, the FAC awaits the direction of the Board but will be prepared to review a resubmitted application at short notice by audio conference.