PRINCIPLES AND OPTIONS FOR THE REVISION OF THE GLOBAL PARTNERSHIP FOR EDUCATION FUNDING MODEL

For Decision

REV.1 – The paper was revised based on the deliberations of the Board at its Special Board Meeting to adjust the eligibility categories outlined on page 13/14 and the allocation formula (Option 1) on page 17, Annex 3 Figure 1 on page 30 and Annex 4 on page 34 in accordance with the agreed Board decision. All changes are marked in Red text.

1. PURPOSE

1.1. The purpose of this paper is to present options for the revision of the funding model for the allocation of Program Implementation Grants financed from the Global Partnership for Education Fund (GPEF). The Board of Directors is asked to consider endorsing the proposed overall approach to the revision of the funding model and to make specific decisions on a number of options discussed in the paper.

1.2 This paper includes the following annexes:

Annex 1 – Technical Details for Applying *Eligibility Criteria*
Annex 2 – Small Island Developing States
Annex 3 – *Allocation Formula* Options for Calculating the Maximum Country Allocation (MCA)
Annex 4 - Scenario Analyses
Annex 5 - ”GPE Check” – a potential tool in support of country-level processes for the development of Education Sector Plans

2. EXECUTIVE SUMMARY

The GPE funding model in the context of the broader Partnership Model

2.1 The mission of the Global Partnership for Education is to galvanize and coordinate a global effort to deliver a good quality education to all girls and boys, prioritizing the poorest and most vulnerable countries. This effort is geared toward mutual reinforcement of goals, knowledge, strategies, resource and action, at both global and local level.

2.2. Therefore, GPE membership is not conditioned on GPE funding. Developing countries can benefit from the Partnership, as well as contribute to it, through political mobilization, knowledge sharing and policy discussion. Though the bulk of this paper is on eligibility for Program Implementation Grants, eligibility for GPE membership as a whole is addressed briefly in sections 5.1 - 5.4.

2.3. Giving investment in education its fair share is a universal challenge. However, in the contexts of poverty, education vulnerability and fragility, domestic capacities are insufficient to reach the levels of investment at which the political, economic and social benefits of education can be harnessed for sustainable development.

2.4. The GPE funding model seeks to both leverage resources - international and domestic - and develop the sustainable, credible plans that together are necessary to address the challenges that stand in the way of meeting education goals.

Reasons for changing the funding model

2.5. The current GPE funding model, introduced in January 2012, has served the Partnership well. By making indicative allocations known to countries in advance, it has increased predictability and has been accompanied by a steady increase in membership and commitments, particularly in fragile and conflict-afflicted environments. It has also reemphasized the importance of the Partnership at the local level through more transparent and inclusive participation of the local education group.

2.6. However, while recognizing these achievements, the current GPE funding model has shown some weaknesses:

- Demand for funding has outstripped the available supply.
- At times, the development and endorsement of Education Sector Plans (ESPs) have been rushed to meet deadlines in order to access the indicative allocation, leading to poor ownership of these ESPs and poor quality ESPs.

- There is insufficient evidence that GPE funding has catalyzed additional funding—whether domestic or external.
- The issue of performance linked to funding is not strong enough, particularly in relation to GPE's strategic goals and objectives.
- The 2013 portfolio analysis of GPE grants has shown little progress in the number of programs using more aligned modalities and/or more use of country systems.

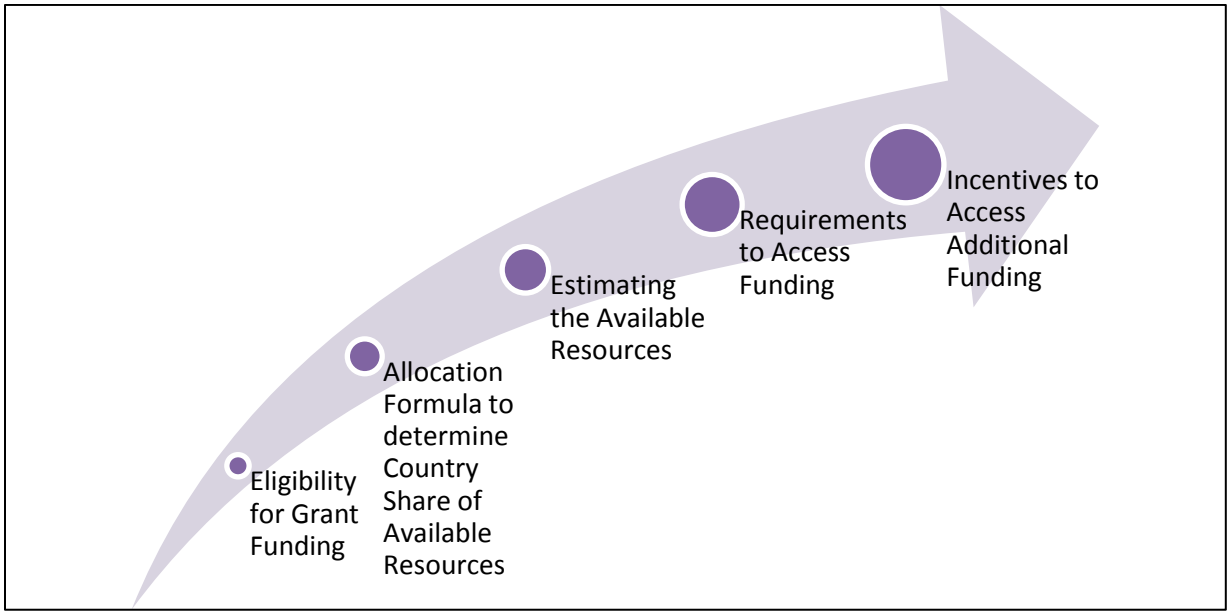
2.7. Looking ahead, GPE needs to reconsider the use of its resources as the international community coalesces around a post-2015 agenda and given the immediacy of MDG 2. The new funding model seeks to improve GPE's use of resources, galvanizing both political and financial commitments from domestic governments and development partners alike. In doing so, the new model hopes to increase and better align resources and target them towards helping developing country governments improve how their education systems deliver. While these are no doubt ambitious goals, they are essential given the critical role that a quality education plays in building strong and prosperous societies and economies.

2.8. Following these considerations, at its meeting in November 2013, the Board of Directors requested the Secretariat to consult with GPE partners and develop options for a revised funding model for the 2015-2018 period for presentation at the Special Board meeting to be held in February 2014 (BOD/2013/11-18).

Proposed Changes

2.9. The overall approach, principles and options for the new funding model are comprehensive and reflect the Global Partnership's strategic goals and objectives - linking principles with means of implementation and desired outcomes. The new funding model seeks to incentivize and reward the delivery of results and to mobilize domestic and external financing for the achievement of global education goals.

2.10. The development of the new funding model covers a number of essential stages as illustrated in the diagram below and further elaborated in the paper:



2.11. ***Eligibility* for grant funding:** In terms of *eligibility* to access Program Implementation Grant funding, it is proposed that GPE will continue to be focused on the World's poorest countries but should evolve its criteria from the existing IDA categorizations to one that incorporates dimensions of Poverty, Education Vulnerability, and Fragility.

2.12. ***Allocation Formula* to determine country share of available resources:** In terms of allocating the available share of funds to eligible countries, there is recognition that the current "Needs and Performance Framework" does not adequately incentivize performance as the *performance* component is hidden within the formula, and therefore it is hard to demonstrate how *performance* issues have positively or negatively affected the indicative allocation a country receives.

2.13. To overcome this challenge, it is proposed that the *allocation formula* be replaced by a formula focused on "Needs" that will be used to calculate eligible countries' **Maximum Country Allocation (MCA)**. Whether a country is allowed to apply for the full MCA will be dependent on meeting certain *requirements* and *incentives*. The "Performance" elements will be explicitly included in these *requirements* and *incentives* to ensure a clear link between GPE funding and sector performance.

2.14. **Estimating available resources:** The resources made available to each country will need to reflect trade-offs between the overall level of predictable resources, the number of eligible countries, and the impact that each grant can have in a country. The MCA for each country should be sufficiently large so that it can maximize its impact both in terms of direct

program results and the potential to act as a catalyst for sustainable change to ensure quality basic education for all children.

2.15. ***Requirements* to access funding:** To address key weaknesses in the current model and promote GPE strategic goals and objectives, requirements will be strengthened in the following areas:

- **Education Sector Plans**: Improvements will be proposed to strengthen the quality of the Education Sector Plans.
- **Data:** Availability of critical data, or a strategy to obtain data, will be required in accordance with GPE's Data Strategy (BOD/2013/11-11). The availability of relevant data is key to the success of the education policies.
- **Domestic/External Financing:** Both the Government and the Development Partners will be expected to provide Letters of Intent about the support they will provide for the implementation of the Education Sector Plan.

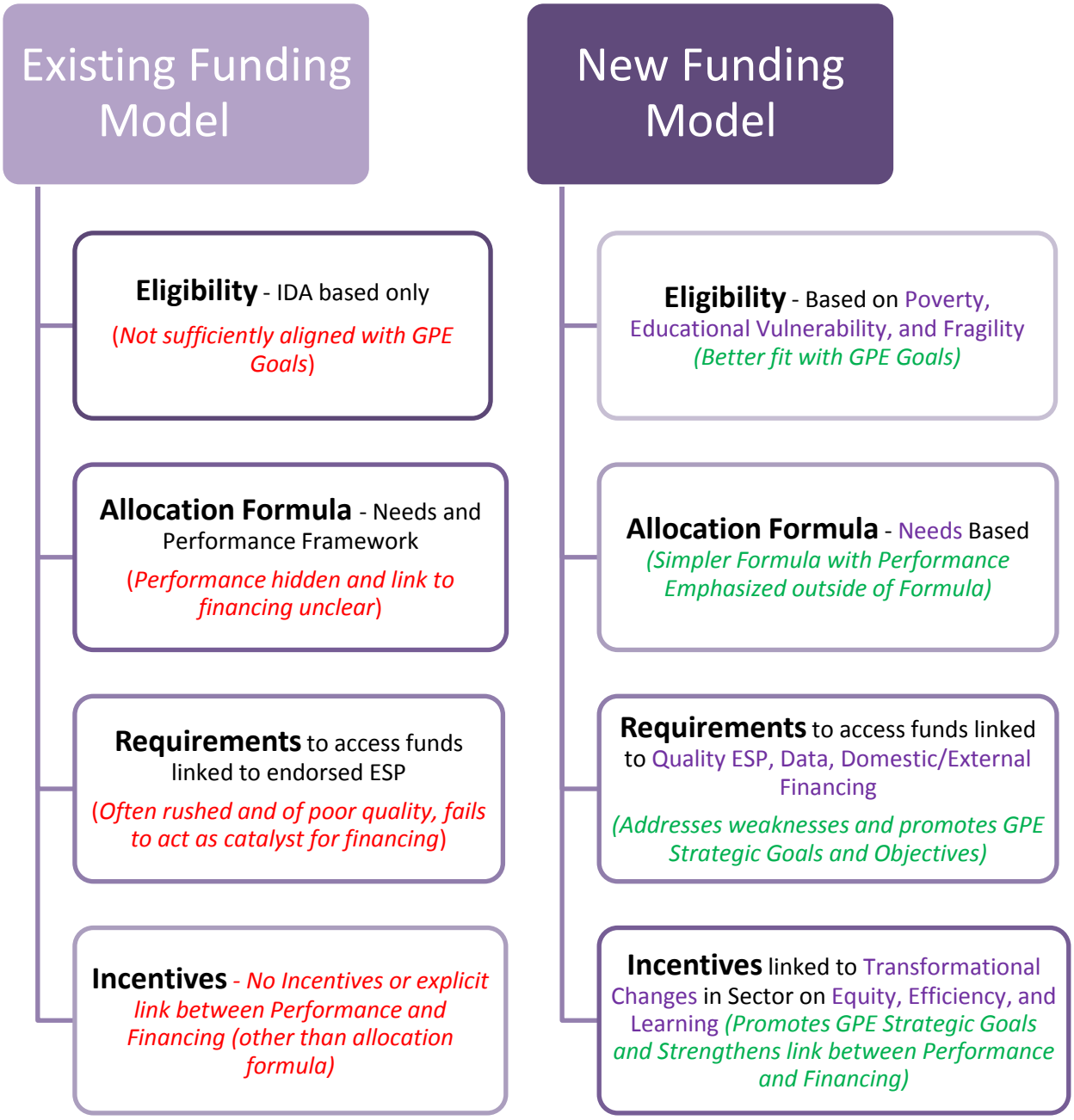
2.16. ***Incentives* to access additional funding:** The proposed changes to the funding model attempt to address the Board's request to incentivize and promote GPE strategic goals and objectives. The introduction of a variable component in the MCA is designed to further support countries that focus on those GPE's strategic objectives that are of most relevance and benefit to them. Therefore, while a country can expect to receive a fixed portion of the MCA by meeting the *requirements*, the ability to access the remaining variable part of the MCA will be *incentives* based.

2.17. The *allocation formula* addresses many of the "needs"-related strategic goals. Together, the *requirements* and the *incentives* address the performance dimensions in the strategic plan. The *requirements* seek to establish the basic foundations of a strong education sector; i.e., a strong ESP, a commitment to collect and use key data, and strong financial commitments from both domestic and external partners. The variable *incentives*-based part of the funding model will focus on the remaining critical "performance" issues:

- **Equity (***Strategic Goal #3 (Reaching every child) as well as Strategic Objective #2 (Promoting Girls' education)***)**
- **Efficiency (***Strategic Goal #1 (Access for All), strategic goal #4 (Building for the future) as well as Strategic Objective #4 (Teacher effectiveness)***)**
- **Learning (***Strategic Goal #2 (Learning for All) and Strategic Objectives #3 (Increasing Basic Numeracy and Literacy Skills) and #4 (Improving Teacher Effectiveness)***)**

2.18. The criteria for the three dimensions will take into account countries' contexts and will build on countries' ESPs. The aim is that for each dimension, the *incentives* are linked to a key policy, strategy, or action that will have a **transformational effect** in the education sector of each country.

2.19. The diagram below illustrates the key changes proposed in the new funding model compared to the existing model.



Expected Outcomes from the Special Board Meeting and the Path Forward

2.20. Given the timetable around GPE's replenishment and the volume of work necessary to develop the operational detail that will underpin the new model before June, it is essential that the Board approve the principles of the proposed funding model during the February Board meeting. In particular, the Board is asked to:

- Endorse the overall approach and principles
- Determine *eligibility* to access Program Implementation Grants
- Select the *allocation formula* that will determine an eligible country's share of available funds
- Agree on the principles for both the *requirements* and the *incentives* (recognizing that the operational details will require further work by the Secretariat and review by the relevant Board Committee.)

3. RECOMMENDED DECISION

3.1 The Secretariat requests that the Board of Directors approves the following decision:

BOD/2014/02-XX —Global Partnership for Education Funding Model for the 2015 – 2018 Replenishment Period: The Board of Directors:

i. endorses the *approach* and *principles* for the revision of the Global Partnership for Education Funding model for the 2015-2018 period as set out in BOD/2014/02 Doc 06;

ii. approves the *eligibility criteria* to determine access to Program Implementation Grant funding as set out in BOD/2014/02 Doc 06;

iii. approves the "Needs" based *allocation formula* to determine an eligible country's share of available resources based either on the formula outlined in Option 1 or the formula outlined in Option 2 as set out in BOD/2014/02 Doc 06;

iv. requests the Secretariat to develop the necessary operational guidelines related to the *requirements* and *incentives* for approval by the Country Grants and Performance Committee in advance of the Replenishment Conference. The guidelines should include options for consideration of an ex-post and/or ex-ante approach to payment of the *incentives*-part of the allocation taking into account country context; and

v. requests the Secretariat to further analyze the minimum acceptable allocations and the consideration of "available resources" that should be used for determining the Maximum Country Allocations and to present this for review by the Governance, Ethics, Risk, and

Finance Committee for recommendation to the Board no later than its next face-to-face meeting in June 2014.

{Note: The Decision language might need to be adjusted based on the outcomes of the Retreat and Special Board Meeting}

4. BACKGROUND

4.1 At the Board of Directors meeting in Addis Ababa in November 2013, the following decision was made:

BOD/2013/11-17 — Options for Revision of the GPE Funding Model: The Board of Directors:

a. recognizes the need to adapt the funding model to balance the need for predictability of funding for developing country partners with the predictable resources available for the Global Partnership;
b. further recognizes that GPE funding must be allocated and managed in a way that maximizes the efficient and effective use of GPE resources towards achieving the mission of the Global Partnership; and
c. requests the Secretariat to:

    i. develop options for a revised funding model for the 2015 – 2018 period, taking into account that GPE funding should seek to:

    - incentivize and reward the delivery of results against strategic plan objectives, development effectiveness and increasing value for money with context specificity;
    - attract additional domestic and external financing for education; and

    ii. consult with GPE partners and present the options to the Board of Directors at its special face-to-face meeting currently anticipated to be held in February 2014.

4.2 Since the Board meeting in Addis Ababa, the Secretariat has engaged in an intensive consultation process with GPE partners in order to develop the options requested by the Board. Consultations with Developing Country Partners were conducted in a number of regional meetings.

4.3 In addition, a “Reference Group” was formed, comprised of representatives from all GPE Board constituencies. Over the December 2013 - February 2014 period, the Secretariat presented the Reference Group with six working papers and held weekly audio conferences to discuss them. The papers and discussions covered the following key elements:

- Working Paper 1 – Overview of the development of the revised funding model
- Working Paper 2 – *Eligibility Criteria*
- Working Paper 3 – *Allocation Formula*
- Working Paper 4 – *Requirements* to Access Program Implementation Grant Funding
- Working Paper 5 – Fixed and Variable Allocations
- Working Paper 6 – Scenario Analyses

4.4 This consultation process has been critical to the development of the approach, principles, and options for the revised funding model outlined in the next sections of this paper.

5. ELIGIBILITY

Current Situation

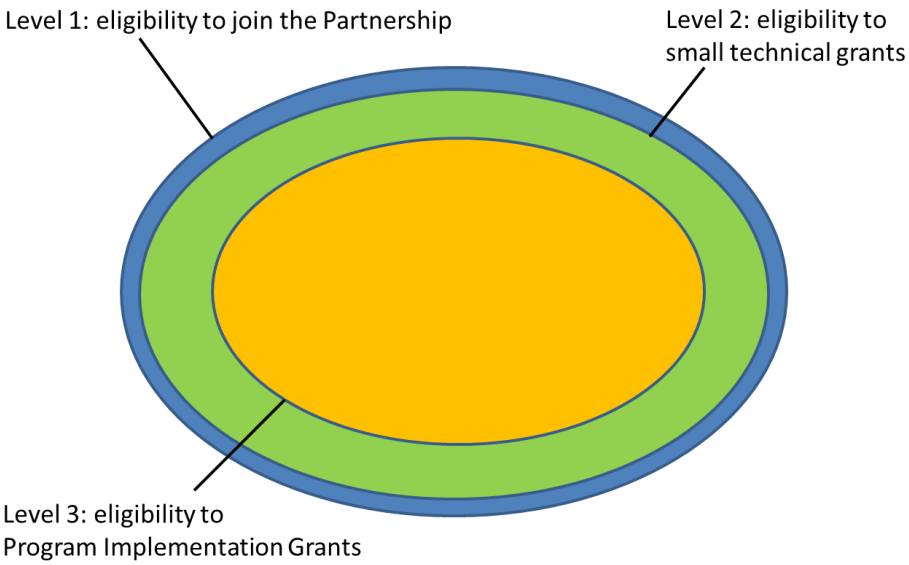
5.1 The Global Partnership for Education (GPE) distinguishes between **three levels of *eligibility***:

- **Level 1** – *Eligibility* to join the Partnership (i.e. becoming a Developing Country Partner – DCP)
- **Level 2** – *Eligibility* for small technical grants (Education Plan Development Grants)
- **Level 3** - *Eligibility* to receive a Program Implementation Grant

5.2 At present, **Level 1** and **Level 2** are one and the same (as represented in the diagram below) but eligibility does not have to be considered only in relation to accessing funding.

Eligibility Levels

(under the existing funding model)



5.3 More specifically, **Level 1** and **Level 2** correspond to **all IDA countries** (I, II and III). These IDA countries are eligible for small GPE grants that are capped at US$250,000 and are known as "Education Plan Development Grants." These grants are designed to support the development (or revision) of a country's Education Sector Plan. But *eligibility* to join the partnership does not have to overlap with *eligibility* to receive small technical grants. As we seek to broaden the partnership, *eligibility* could be expanded to include knowledge-sharing opportunities with, for example, middle-income countries. This is an issue to be further considered by the Strategy and Policy Committee. This paper focuses primarily on Level 3 *eligibility*.

5.4 **Level 3** *eligibility* qualifies countries for Program Implementation Grants. Currently, it corresponds to countries that are classified, or have been classified, as Category i or ii by the International Development Association (IDA) in the past two years; and to countries that are currently classified as IDA category iii and are Small Island Developing States (as defined by the United Nations) or fragile states (as defined by the World Bank). Countries in the IDA "Blend" categories are also eligible for Program Implementation Grants.

Changes to the *Eligibility Criteria* for Program Implementation Grants

5.5 In discussions on the revision of the *eligibility* criteria, there was broad agreement to move away from the existing IDA-based criteria and to introduce instead criteria that are more closely aligned with GPE's areas of focus. Broad support was expressed for determining *eligibility* based on the following three dimensions:

- **poverty**
- **education vulnerability**
- **fragility**

5.6 It was further agreed to classify low-income countries and lower middle-income countries into different categories based on their economic classification and their Primary Completion Rate (PCR). This approach would also ensure that fragile states are eligible for Program Implementation Grant funding.

5.7 If this approach is adopted, 48 countries would be eligible for Program Implementation Grant funding, including 29 fragile states. In addition, it is proposed that all IDA eligible Small Island Developing States are also considered eligible for Program Implementation Grants. This would increase the number of eligible countries by 17 without incurring any significant costs (See Annex 2).

5.8 In addition, the 14 lower-middle income countries that would not be eligible for Program Implementation Grants would be able to access the Education Plan Development Grant and any innovative financing mechanisms, such as Debt Buy-Downs and Challenge Funding for leveraging additional external resources.

5.9 To summarize, based on the proposed *eligibility criteria*, GPE funding would be available to a total of 79 low-income and lower-middle income countries (65 for Program Implementation Grant funding and 14 for other forms of financing). The full details of this approach are included in the table on the next page.

Key Board Considerations regarding *Eligibility*

#1: Does the Board agree with the proposed differentiated approach to *eligibility*?

Proposed *Eligibility* Categories

Criteria* Country	Program Implementation Grant (MCA)	Education Plan Development Grant**	Innovative Financing (***Debt Buy-Downs / Challenge fund to Leverage External Financing***)	Humanitarian Fund****
GNI per capita of US$1,035 ***(All Lower Income Countries) -*** *36* **Afghanistan, Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, DR Congo, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kenya, DPR Korea[1], Kyrgyz Republic, Liberia, Madagascar, Malawi, Mali, Mozambique, Myanmar, Nepal, Niger, Rwanda, Sierra Leone, Somalia, South Sudan, Tajikistan, Tanzania, Togo, Uganda, Zimbabwe**	YES	YES	TBD***	TBD
GNI per capita of US$1,035 – US$2,560 (***Lower – Lower Middle Income Countries***) and PCR of less than 85% - *13* **Cameroon, Congo Rep, Cote d'Ivoire, Lao PDR, Lesotho, Mauritania, Nicaragua, Nigeria, Pakistan, Papua New Guinea, Senegal, Sudan, Yemen, Rep.**	YES	YES	TBD***	TBD
IDA Eligible Small Island **and Small Landlocked** Developing States[2]- 18 **Maldives, Cape Verde, Sao Tome & Principe, Dominica, St. Lucia, Grenada, St. Vincent, Guyana, Solomon Islands, Kiribati, Micronesia, Samoa, Tonga, Vanuatu, Marshall Islands, Tuvalu, Timor Leste, Bhutan.**	YES	YES	TBD***	TBD

[1] Highly unlikely that DPR Korea will meet the eligibility requirements and due to lack of data, we would propose not to establish a Maximum Country Allocation

[2] IDA Eligible Small Landlocked Developing States are those with a population of less than 1 million people.

Criteria* Country	Program Implementation Grant (MCA)	Education Plan Development Grant**	Innovative Financing (***Debt Buy-Downs / Challenge fund to Leverage External Financing***)	Humanitarian Fund****
GNI per capita of US$1,035 – US$2,560 (***Lower – Lower Middle Income Countries***) and PCR equal to or higher than 85% - 11 + India (*) **Bhutan, Bolivia, Djibouti, Ghana, Honduras, Moldova, Philippines, Uzbekistan, Vietnam, West Bank and Gaza, Zambia**	NO	YES	YES	TBD
GNI per capita of US$2,560 – US$4,085 (***Upper – Lower Middle Income Countries***) and PCR of less than 85% - 2 **Armenia, Swaziland.**	NO	YES	YES	TBD
Other Developing Countries	NO	NO	NO	TBD

*When a country is eligible for a MCA, but its GDP is in excess of US$1 trillion per year, the country should be eligible for the Education Plan Development Grant and Innovative Financing, but not for the Program Implementation Grant. Currently this would only affect India.

**Education Plan Development Grant – Currently capped at US$250,000 but may need to be revised to incorporate implementation of Data Requirements

***We would need to determine whether a country could use its MCA for Debt Buy-down. Debt Buy-downs should be part of leveraging additional resources for education and not used to buy down an existing loan. We also need to be conscious of the types of innovative financing as low income countries must be careful on their levels of debt, even if concessional.

****The details about the Humanitarian Fund are still being developed.

6. ALLOCATION FORMULA

6.1 It is important to note that an *allocation formula* itself does not determine *eligibility* for funding or the specific *requirements* that must be met to access funding, but rather it is used to determine the share of the overall available funds that an eligible country could potentially receive for a Program Implementation Grant.

Current Situation

6.2 The current *allocation formula* (the Needs and Performance Framework) has been used to determine indicative allocations for eligible countries for CY2012 to CY2014. It is built on two pillars:

- **Country need:** a combination of **size** (school age population) and **distance to meet the Goal** of Universal Primary Education (MDG2);
- **Country performance**: **national policies** and **capacities** that facilitate successful implementation of education programs and increase aid effectiveness.

6.3 While the Needs and Performance Framework has served the Partnership well for two years, the embedding of performance factors within the formula has limited its potential for leveraging GPE funds to incentivize improved performance.

Options to Revise the GPE *Allocation Formula*

6.4 Consultations with the Reference Group supported the need for replacing the current *allocation formula* (known as the "Needs and Performance Framework" or NPF) with a new *allocation formula* based solely on needs. It was agreed that country performance considerations should not be hidden within the *allocation formula* but should instead be linked to the *requirements* and *incentives* for accessing funding, which in turn would lead to a more incentives-based funding model.

6.5 It was further agreed that the *allocation formula* should be used to establish a Maximum Country Allocation (MCA). However, access to the fixed portion of the MCA will be based on

fulfilling a set of *requirements* (Section 8), while access to the variable portion of the MCA will be *incentives*-based (Section 9).

6.6 Two options for a needs-based *allocation formula* are proposed for consideration. The two options share many of the same base factors (population, adjusting factors) but differ in their approach.

Option 1: The "revised NPF" removes the "performance part" from the current NPF[3]. It provides a score that, when linked to other countries estimates, gives a measure of relative needs but with no built-in consideration of the cost associated with providing education services. In addition, the weightings of the factors considered in the formula are somewhat arbitrary. In discussions with the Reference Group, there was a preference for this approach primarily due to its simplicity.

Option 2: The "new formula" takes into account costs associated with delivering a certain level of education services to a given number of children. This "needs estimate" is more directly related to a "cost estimate" and as such maximizes GPE's impact in terms of children reached. It also adjusts for exogenous factors that affect the delivery of education services. Thus, the share allocated to each country is based on the country's needs in relation to other countries' needs. The Secretariat has a preference for this option because it believes that technically it is a more effective formula for estimating needs.

6.7 It is important to note that no *allocation formula* will ever be perfect, and if significant additional work is undertaken on the formula options, it would only lead to marginal changes in allocation outcomes.

6.8 The table below summarizes the two formulas. The technical details are included in Annex 3, and the impact of both formulas on countries' MCAs can be seen in the scenario analyses provided in Annex 4.

[3] And has been adjusted to take into account the Board of Director's recommendations

Allocation Formula Description

Option 1: Revised NPF

Score approach based on population as a main scaling factor + adjusting factors

It considers:

- Distance to primary completion
- Per capita income
- Gender parity (in completion)
- Number of school-age children[4]
- External Aid for the education sector
- Fragility
- 10% of Lower secondary school age children[5]
- % Rural Population

⇨ It calculates a country's "score" to determine the country's share of the overall resources available

⇨ The MCA is calculated by applying the share to the overall resources and can be capped (at US$100 million or US$150 million depending on the level of replenishment) or uncapped.

Option 2: New Formula

Cost approach based on the estimated cost of providing quality education services to 10% of the population in the age group expected to go to primary and lower secondary education in each country[6].

It considers:

- The cost of providing quality education to 10% of children in primary education[7]
- The cost of providing quality education to 10% of children in lower secondary education[8]
- For both primary and lower secondary education, unit costs are linked to the level of development and structural factors (see Annex 3)

⇨ It estimates the country's essential needs to determine the country's share of the overall resources available

⇨ The "Reference country allocation" is calculated by applying the share to the overall resources

It then introduces adjustments for exogenous factors that impact a country's ability to deliver and finance education:

- % Rural Population
- Ratio of the population in the age groups of 15-64 to 0-14

[4] 6-11 years old.

[5] The Lower secondary school age population is normalized to 12-14 years old for every country

[6] The choice of 10% for the calculation is in line with an expectation that countries will be able to achieve a 10 points increase in primary completion rate in the course of a 3 to 4 years period, which is an ambitious but achievable goal based on historical data.

[7] The primary cycle is recalibrated to last 6 years; If the country presents a PCR above 90%, only the part of the population not enrolled (1-PCR) is considered, instead of 10% of the primary school age population.

[8] The lower secondary cycle is recalibrated to last 3 years.

Fragility Index
ODA for education as % of education spending
Gender Parity Index

⇨ The MCA is calculated based on the above considerations and can be capped (at US$100 million or US$150 million depending on the level of replenishment) or uncapped.

Key Board Considerations Regarding *Allocation Formula*

#1 What is the Board's preferred option for the *allocation formula*?

7. AVAILABLE RESOURCES

7.1 There has been increased recognition that the GPE fund should be used in a strategic manner that can maximize its impact both in terms of direct program results and potential to act as a catalyst for sustainable change in education. Therefore, it is important that the funds a country receives are sufficient to have an impact on its education sector.

7.2 This principle raises the question of what to do if resources are insufficient to provide significant allocations to all eligible countries. The Secretariat proposes that instead of reducing the size of the allocations, funding is prioritized based on a ranking of eligible countries. This ranking would be established in accordance with the principles set out in Section 5 on Eligibility. Countries would be prioritized based on a score related to the dimensions of **poverty, educational vulnerability, and fragility**. Further details about this approach are provided in Annex 1, and the effects of various replenishment scenarios are modeled in Annex 4.

7.3 Additional work would be required in order to determine the minimum allocation necessary to achieve the effects described in 7.1. In addition, the resources expected to be available over the replenishment period, including the allocation of funds for innovative financing approaches, should be taken into account. The Board would also need to decide if a certain level of commitments that would fall due in the post-2018 period[9] should be allowed or if it would be preferable to incorporate an agreed level of projected donor contributions into the calculation of allocations.

[9] Actual commitment of funds for a portion of the grants that commence in 2017 and 2018 would be made in the post 2018 replenishment period (2019 and 2020) to reflect the standard 3 year implementation period of a grant.

7.4 The solution to these issues and the final outcome of the Replenishment Conference will help determine when, or if, prioritization of funding will need to be applied or not. Further details about the prioritization criteria are included in Annex 1 and the potential impact of applying this criteria based on various replenishment outcomes is illustrated in Annex 4.

Key Board Considerations Regarding Finances

#1 Does the Board agree that allocations for Program Implementation Grants must be at a sufficient level to have an impact both in terms of direct program results and potential to act as a catalyst for sustainable change in education?

#2 Does the Board agree that the Secretariat should conduct further analyses on the minimum acceptable allocations and the resources to be used for determining the MCAs and present the results for review by the Governance, Ethics, Risk, and Finance Committee for recommendation to the Board?

8. REQUIREMENTS TO APPLY FOR A PROGRAM IMPLEMENTATION GRANT

Current Situation

8.1. Currently, the only requirement for applying for a Program Implementation Grant is the endorsement of a national Education Sector Plan (or a Transitional Education Sector Plan.) This approach presents several limitations.

8.2. Too often, the development of an ESP has been rushed in order to meet GPE application deadlines. In several cases, the ESP has been endorsed very close to the submission deadline. This runs a high risk of compromising the quality of the ESP and of reducing its relevance (too little attention to sector analysis) and ownership (not enough time for broad consultation).

8.3. Development partners have been reluctant to delay endorsement of poor-quality ESPs in order to prevent delaying access to GPE funding. In some cases, concerns about the quality of

the ESP have been raised at the time of consideration by the Financial Advisory Committee, often by the same agencies that have endorsed the ESP at country level.

8.4. Despite GPE's intention to provide complementary catalytic funding and to avoid displacement of donor funds or domestic resources, there has been no mechanism to ensure an acceptable level of domestic funding, or to consider the potential displacement of other donor funds as a result of GPE support.

8.5. In addition, the GPE Board's approval of a data strategy in November 2013 (BOD 2013/11-11) requires a systematic focus on data in GPE processes. This should be reflected in the *requirements* to apply for a Program Implementation Grant. The availability of critical recently compiled data (e.g. standard education data, financial data and learning data[10]) is key to the development, implementation, and monitoring of education policies.

8.6. The current *requirements* to apply for Program Implementation Grants are insufficient to leverage the progress sought by the Global Partnership's Strategic Plan and Objectives. Therefore, additional *requirements* are needed.

Proposed Revisions

8.7. The proposed *requirements* will be differentiated according to the contexts and capacities of Developing Country Partners. Three sets of requirements have been identified:

(i) Requirements related to the ESP:

- **a) Local appraisal and endorsement of an ESP[11]**
- **b) The ESP must have been endorsed at least 3 months before the submission of an application for a Program Implementation Grant.**

(ii) *Requirements* related to data, in accordance with Board Decision BOD 2013/11-11; include:

- **a) The availability of critical recently compiled education and financial data**, including on learning outcomes, and the submission of data to the UNESCO Institute

[10] The GPE data strategy refers directly to the Learning Metrics Task Force on this particular aspect.

[11] The GPE guidelines for Education Sector Plan Preparation and Appraisal are currently being revised to strengthen the process, taking stock of lessons learned and in anticipation of the implementation of the new funding model

for Statistics. In contexts where critical data is not available, a sound strategy to provide data within a clear timeline would be required.

b) **The inclusion of a recent education sector analysis in the education sector planning process**. Such education sector analysis is not required for fragile and conflict-affected states, but their transitional plan should include provisions to carry out a sector analysis.

GPE can provide support for sector analysis and/or the development of a data strategy through the Education Plan Development Grant. The Program Implementation Grant can finance the implementation of the data strategy. For transitional education plans, the Program Implementation Grant can also finance the sector analysis.

(iii) *Requirements* related to financial commitments by the Government and the Development Partners[12]:

a) **the Government must submit to the GPE Secretariat a Letter of Intent to finance the domestic share of the Plan's budget indicated in the endorsed plan**. The letter must either be signed jointly by the Minister of Finance and Minister of Education, or by a higher-level Government authority such as a Prime Minister.

b) **Development Partners** must outline their expected financial commitments to finance the plan.

8.8. It will be important to ensure that not only the *requirements* are in place when an application is submitted, but also that they are monitored by the LEG throughout the implementation period. The principle of mutual accountability as defined in the GPE Charter[13] must be adhered to, and where *requirements* are not being met, the Secretariat will inform the Board.

8.9. The Secretariat will further elaborate the details of the *requirements* and will work to adjust Grant guidelines (both for the Education Plan Development Grant and the Program Implementation Grant). Some of these adjustments may have financial consequences and will

[12] Once an ESP or Transitional ESP has been endorsed.

[13] http://www.globalpartnership.org/media/docs/publications/2013-11-GPE-Charter.pdf

require approval by the Board following review and recommendation by the appropriate committee.

8.10. The Secretariat proposes to introduce a new mechanism — "*GPE Check" process certification* — to support country-level processes in the development of Education Sector Plans. This mechanism, inspired by the internationally accepted PEFA Check[14] has two overriding advantages: (i) the development, appraisal and endorsement of ESPs remain fully country-owned; (ii) there are almost no additional bureaucratic requirements for Local Education Groups. Annex 5 explains in detail the potential benefits of a "GPE Check."

8.11. It is important to note that issues related to the use of government systems and aligned modalities will be addressed in the Grant guidelines, where it is envisaged that a justification for the selected modality will be required and, if appropriate, a path toward future use of more aligned modalities will be outlined.

Key Board Considerations Regarding Requirements

#1 Does the Board agree that the quality of Education Sector Plans, Data, and Domestic/External Financing are the right areas on which to focus *requirements*?

#2 Does the Board agree that the Secretariat should further develop the operational guidelines and submit these for review and approval by the Country Grants and Performance Committee prior to the June replenishment conference, with the understanding that changes that have a financial impact (e.g. Education Plan Development Grant funding ceiling) will be recommended for Board approval?

[14] http://pefa.org/en/content/pefa-check

9. FIXED AND VARIABLE COMPONENTS OF THE MAXIMUM COUNTRY ALLOCATION

9.1 The GPE Board of Directors has approved certain strategic goals and objectives and has requested that the funding model consider *incentives* that promote the achievement of these goals and objectives.

9.2 In response to that, the Secretariat proposes that the Maximum Country Allocation (MCA) be divided into a fixed and a variable component. The *requirements* discussed in the previous section, when fulfilled, would allow countries to apply for the fixed part of the allocation. Access to the variable part would be determined by performance against a set of criteria that reflect GPEs strategic goals and objectives—i.e., a set of *incentives*. The choice of particular *incentives* will reflect the circumstances in each country.

9.3 Countries that do not elect to access the variable funds, but otherwise meet GPE's *requirements*, will still be able to access the fixed portion of their MCA. The remaining variable part of their allocation will then become available to finance other countries.

Criteria to access the variable part

9.4 The criteria to determine access to the variable part of the allocation should focus the policy dialogue on particular challenges that relate to GPE's strategic goals and objectives. These criteria should be comprehensive enough to incorporate several of the goals and objectives.

9.5 It is proposed that the criteria to access the variable part of a country's allocation are closely aligned to the following key principles[15]:

[15] The use of more innovative and aligned modalities could be addressed more effectively in the guidelines for the preparation of a grant application and the quality assurance review processes.

- **Efficiency**
- **Equity**
- **Learning**

9.6 Efficiency relates to Strategic Goal #1 (Access for all), Strategic Goal #4 (Building for the future) as well as Strategic Objective #4 (Teacher effectiveness).

9.7 Equity relates to Strategic Goal #3 (Reaching every child) as well as Strategic Objective #2 (Promoting Girls' education).

9.8 Learning relates to Strategic Goal #2 (Learning for All) and Strategic Objective #3 (Increasing Basic Numeracy and Literacy Skills) and Strategic Objective #4 (Improving Teacher Effectiveness).

9.9 The criteria for these three dimensions will be based on countries' contexts and their education sector plans. For each dimension, a key policy, strategy, or action will be identified that is expected to have a **transformational** effect for the education sector. The choice will be based on thorough analysis. For each dimension, clear targets and milestones will have to be defined. The country proposals will be developed by the Local Education Group (LEG) in consultation with the Secretariat, and reviewed by the relevant GPE Board Committee.

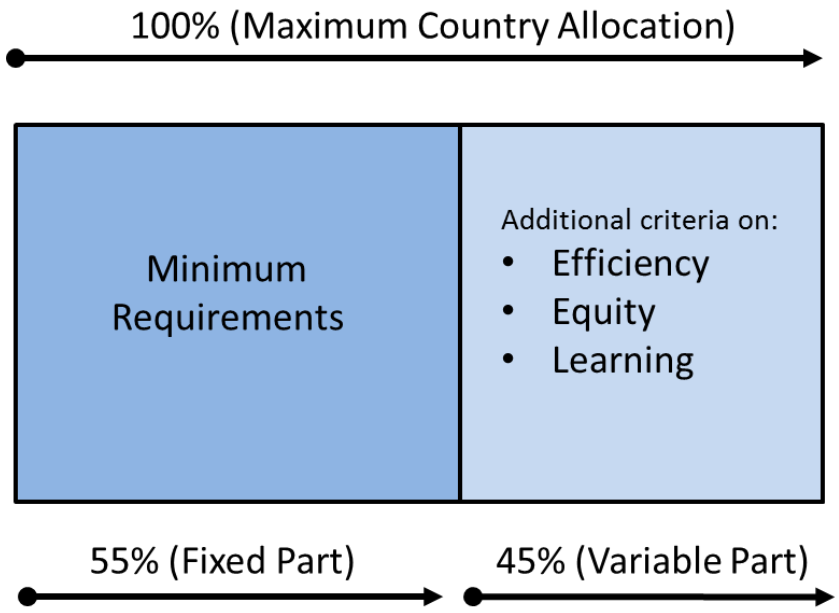
Example: *The Local Education Group (LEG) identifies the high level of repetition (25%) as a major issue for the efficiency of the education system. The LEG therefore proposes that the ESP include a new policy on repetition. For the first year, the milestone is the development, approval and launch of the policy. For the second year, the milestone is a repetition rate of 15%. In year 3, the final target is a repetition rate of 10%.*

9.10 The Secretariat will further elaborate the criteria and process to access the variable part.

Size of the variable part

9.11 The ultimate aim of the variable part is to incentivize key policies, strategies and results in national education systems. A small *incentives*-based portion runs the risk of being too insignificant to have any such sector-wide systemic effect. Therefore, a large *incentives*-based

portion of the allocation is considered. It is proposed that 45% of the Maximum Country Allocation be *incentives*-based and take into account the three dimensions of efficiency, equity and learning.



Key operational considerations

9.12 The introduction of *incentives*-based variable funding will involve additional workload and operational challenges. Whether the outcomes will be worth the effort will be heavily influenced by the overall size of the allocation and the degree to which operational processes are simplified. It will also be important to be alert to the risk of producing unintended consequences and, in some cases, perverse incentives at country levels. It is important to be very attentive to these risks when preparing the operational details and their subsequent application.

9.13 A critical aspect in the implementation of the variable part relates to the timing of payment. Two alternatives are under discussion. Under an **"ex-post"** approach, payment is made only once target indicators are reached. Under an **"ex-ante"** approach, payment is made when a country undertakes certain policy initiatives but before results are available.

9.14 The ex-post approach is in line with more traditional results-based financing models. This approach has greater operational implications and can reduce the predictability of funds. However, it can reinforce the link between performance and financing.

9.15 The ex-ante approach avoids much of the uncertainty inherent in ex-post payments of variable tranches, and is far simpler and administratively lighter. The downside is that it weakens the link between performance and financing.

9.16 The choice between ex-post and ex-ante approach further needs to reflect the diversity of contexts in which GPE operates, in particular fragile and conflict-affected states. The Secretariat believes that there may be room for both approaches depending on context.

9.17 Should the Board of Directors be willing to consider an approach that allows for either ex-post or ex-ante options based on context, the Secretariat would prepare an analysis of the operational feasibility, cost, and timing of these options in consultation with its Supervising and Managing Entities. The proposals would be presented to the Country Grants and Performance Committee for their approval prior to the June 2014 replenishment.

Key Board Considerations on Fixed and Variable Components

#1 Does the Board agree that *equity*, *efficiency*, and *learning* should be the focus of the *incentives*?

#2 Does the Board agree with allocating 45% of the MCA as a variable component linked to *incentives*?

#3 Does the Board agree that the timing of the variable payment in terms of Ex-Post or Ex-Ante should be context specific, and that the Secretariat should prepare the necessary analysis and operational guidelines for approval by the Country Grants and Performance Committee?

10. NEXT STEPS

10.1. Assuming Board endorsement of the principles and overall approach of the revised funding model, the Secretariat will work with the appropriate Board committees to finalize the operational details necessary to launch the funding model.

10.2. The expectation is that the funding model will be launched at the Board meeting in June 2014 immediately following the Replenishment Conference and will take effect from the 1st Round of applications in 2015.

ANNEX 1 – Technical Details for Applying *Eligibility* Criteria

Step 1: Country ranking: Countries considered eligible for GPE Program Implementation Grants are ranked using a composite score as explained below.

1. **Intermediate scores:** All countries in the initial list are given intermediate scores in three key dimensions:

- **Poverty** as measured by GDP per capita;
- **Fragility and conflict-affected context (FCACs)** as defined by the World Bank or the UNESCO/GMR[16]; and
- **Education vulnerability** as measured by a composite index based on the distance from completing primary education (rescaled for an equivalent 6-year cycle) and the gender parity index (based on gross enrollment ratios)[17].

2. **Scaling of intermediate scores:** In order to have all dimensions in the same metric, each parameter is standardized to obtain both similar average and standard deviation. The value obtained after this conversion is the intermediate score of a country for each parameter.

3. **Final score**: A final composite score is computed for each country using a weighted average based on the importance the GPE Board of Directors and partners wish to give to each of the three criteria: level of development, education vulnerability, and fragility/conflict context. Countries are then ranked using these final scores. Countries with the highest scores have the greatest need of assistance and are thus GPE priority countries.

4. **Weightings:** It is proposed to use weightings of 45% for Poverty, 45% for Education Vulnerability, and 10% for Fragility[18] to reflect GPE's focus on the poorest countries and those most in need.

5. Cutoff: In the event that resources were insufficient to fund all eligible countries, the ranking would be used to determine the cutoff point. A country that would normally be eligible for Program Implementation Grant funding, but cannot receive an allocation due to resource constraints, should be able to access any innovative financing available. Annex 4 illustrates the cutoff approach.

[16] The two lists have been merged

[17] This individual score blends the distance to primary completion and the gender parity index. Aggregation is performed by computing a weighted average; distance to primary education has a higher weight (70 percent) as compared to gender parity (30 percent).

[18] Most fragile contexts are poor countries with a high degree of educational vulnerability.

ANNEX 2 - Small Island Developing States

1. A number of IDA eligible small-island developing states might not meet the proposed eligibility criteria for funding based on their income classification. However, it is recognized that these types of countries have particular needs, and that GNI per capita is not always the most appropriate basis for estimating the needs of small islands.

2. As the allocations are not significant (less than $2 million each) and would not materially impact other countries' allocations or place any considerable strain on overall GPE resources, it is proposed to automatically include these countries as eligible for Program Implementation Grants in the 2015 – 2018 replenishment period.

3. It is proposed to group countries into regional grants to limit the amount of administration costs involved in proposal preparation and the work of any Supervising or Managing Entity. For countries where regional groupings do not make sense, it is proposed that any allocation that is less than US$1 million is increased to that level in order for the funds to have a meaningful impact.

4. There would be an overall allocation of approximately **US$13 million** required to support the **17** affected countries below. These numbers may change slightly based on the finalization of data used in the calculation of the allocations.

5. Given the small size of the allocations involved, it is proposed that the entire allocation is "Fixed" and does not contain any "Variable" component. These countries would still be expected to meet any minimum *requirements* established by the Board.

Individual Allocations of approximately US$1 million each – US$4 million estimated

- Timor Leste
- Cape Verde
- Maldives
- Sao Tome & Principe

Multi Country Caribbean Regional Allocation– US$2 – US$3 million estimated

- Dominica
- Grenada
- Guyana
- St. Lucia
- St. Vincent

Multi Country Pacific Regional Allocation – US$5 – US$6 million estimated

- Solomon Islands
- Kiribati
- Micronesia
- Samoa
- Tonga
- Vanuatu
- Marshal
- Tuvalu

ANNEX 3 – *Allocation Formula* - Options for Calculating the Maximum Country Allocation (MCA)

1. Following the reference group discussions, two options were considered for the *allocation formula* to estimate the MCA for each eligible country:

- The first one ("revised NPF") is based on a revision of the current formula (the Needs and Performance Framework, NPF) that led to the 2012-2014 GPE allocation.
- The second one ("new formula") is based on the estimated cost for providing quality education services to 10% of the population in the age group expected to go to primary and lower secondary education in each country.[19]

Option 1: Revised NPF

2. The "revised NPF" takes into account: i) Distance to primary completion[20], ii) Per capita income[21], iii) Gender parity in completion[22], iv) Number of children of school age (primary education)[23], v) External Aid for the education sector[24], and vi) Fragility[25], vii) the share of the rural population, and viii) 10% of the number of school age population (Lower secondary population[26]), as approved in the Board paper referred to as BOD/2012/01—DOC 01. The weight of each component has been preserved.

3. The first step is to calculate the country score, based on the formula detailed in Figure 1. The country share is then calculated by dividing the country score by the sum of the country scores.

4. The MCA is finally calculated by multiplying the country share by the total amount available. Nevertheless, as with the NPF, MCAs can be capped (at US$100 million or US$150 million, depending on the level of replenishment) or uncapped. If capped, the capped part would be redistributed among the other countries.

[19] Primary and lower secondary cycle are normalized to a total of 9 years.

[20] Idem.

[21] The main source is the World Bank Development Indicators database.

[22] The main source is UIS to the extend information is available.

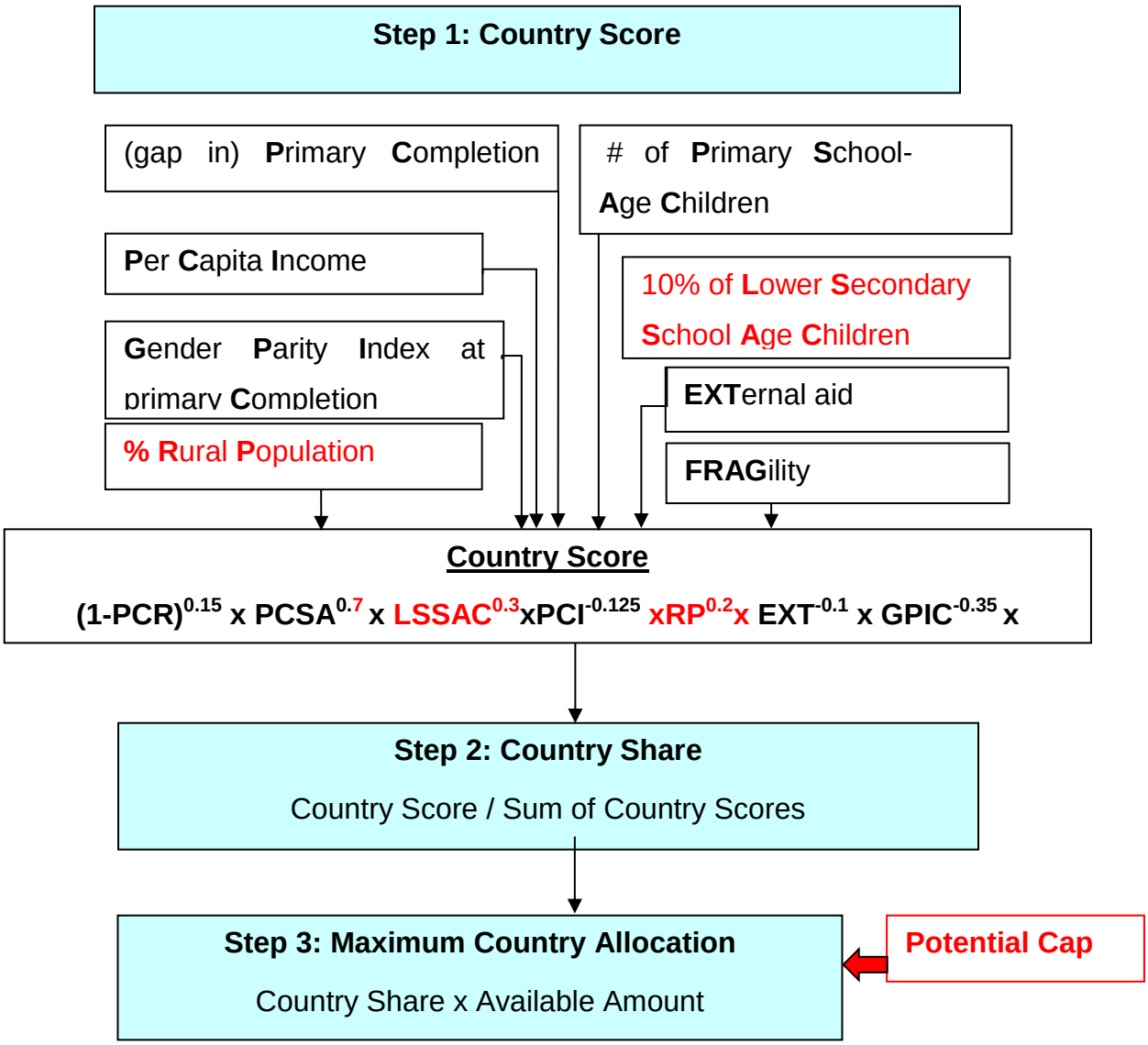
[23] 6-11 years old

[24] OECD.

[25] The list followed is a merge between the World Bank Fragile states list and the UNESCO/GMR conflict states.

[26] 12-14 years old

Figure 1: Revised NPF formula



Option 2: The new formula

5. The new *allocation formula* builds upfront the costs associated with extending a certain level of educational services to a given number of children. More precisely, it estimates the **amount necessary to support the cost of schooling 10% of the school-age population**[27]. A theoretical unit cost is used for each country, based on parameters to allow for quality education services[28]. This theoretical unit cost takes into account different levels and respective weights associated with capital and recurrent spending depending on each individual country GDPpc.

6. This amount is considered representative of a country's essential needs that could be covered by GPE[29]. The country's share of GPE funds is then calculated by dividing the country's essential needs by the total essential needs, which leads to a "reference allocation."

7. The unit cost approach, which serves as the basis for estimating countries' essential needs, aims to treat countries in an equitable manner across different levels of GDPpc. Additionally, for a given level of GDPpc, countries that are in similar conditions in terms of their current quantitative coverage and quality of service, in both primary and junior secondary education, should not necessarily receive the same amount of external resources. This is because of the different exogenous constrains and limitations countries face in delivering and financing education, different countries would require different amounts of funding in order to make the same progress.

8. For example, empirical studies show that exogenous factors, such as the proportion of rural population or the ratio between adults and children, render the delivery of educational services more difficult to implement and more costly. Other context specific dimensions also impact the delivery of educational services, in particular when it comes to enrolling and

[27] It refers to a 9 years basic education cycle, based on a primary cycle recalibrated to last 6 years and 3 years of lower secondary education. If the country presents a PCR above 90%, only the part of the population not enrolled (1-PCR) is considered, instead of 10% of the primary school age population.

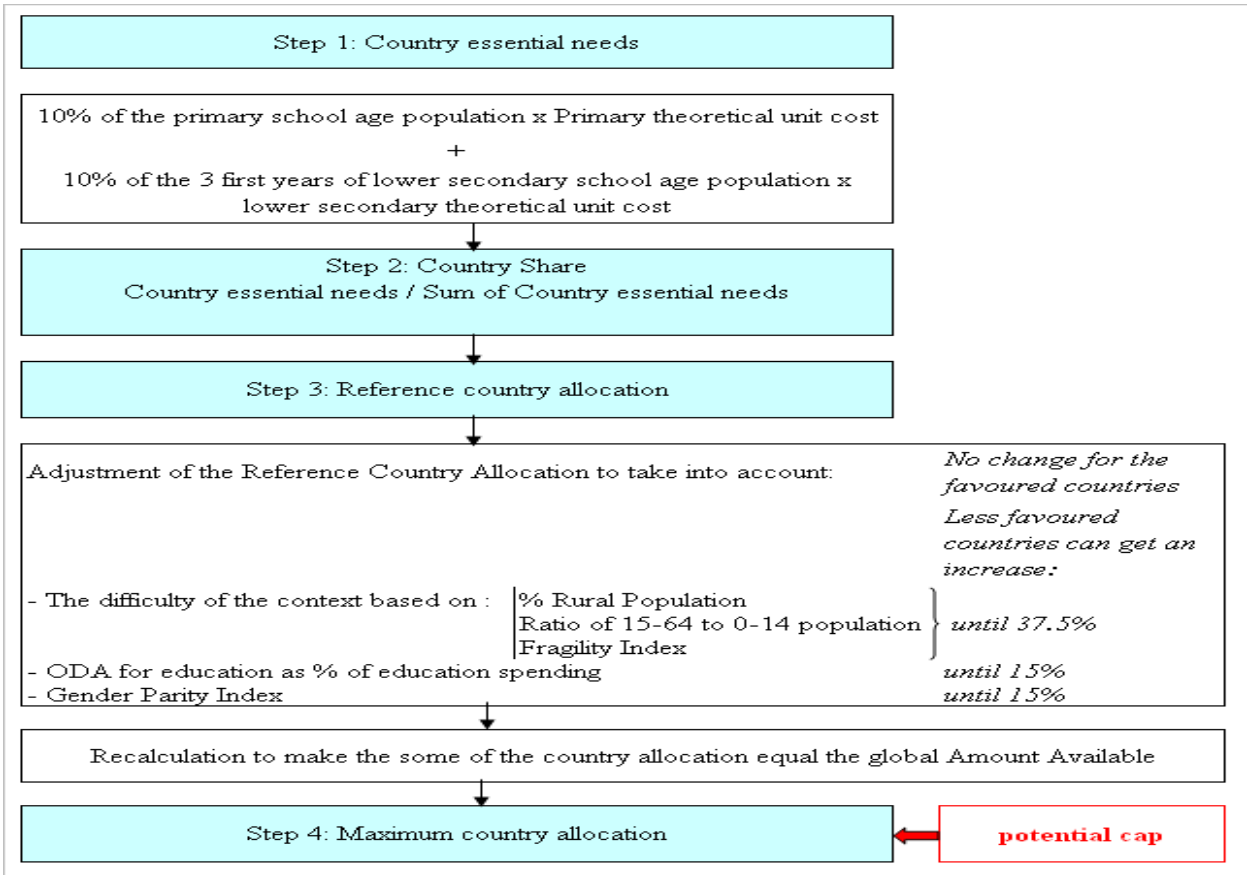
[28] The level of recurrent spending for a good quality of educational context considers reasonable level of 1/ pupil teacher ratio, 2/ teacher salary, 3/ availability on non-salary inputs.

[29] The choice of 10% for the calculation is in line with an expectation that countries will be able to achieve a 10 points increase in primary completion rate in the course of a 3 to 4 years period, which is an ambitious but achievable goal based on historical data.

maintaining girls in schools. Experience also indicates that fragile countries generally need more resources than non-fragile countries to expand their education systems, both in quantitative and qualitative dimensions. In addition, countries receive different amounts of external funding (the proportion of external funding in total spending for education varies quite substantially from one country to another). In accordance with GPE's objective to enhance equity across recipient countries, the *allocation formula* factors in a bonus for countries that currently receive very little external funding.

9. Since some reference country allocations have been increased in the previous step, the 'adjusted' reference allocation should be recalibrated so that the sum of country allocations equals the **total amount available.** This last step leads to the Maximum Country Allocation that can be capped (at US$100million or US$150 million, depending on the size of the replenishment) or not capped.

Figure 2: New formula



Reference scenario

10. A “reference replenishment scenario” that would lead to all eligible countries receiving an allocation is used to calculate the first set of Maximum Country Allocation (MCA). This scenario is determined on the basis of the calculation of the cumulated previous allocation for those eligible countries.

11. This assessment leads to an estimated US$2.5 billion to fund all eligible countries. This would entail a replenishment target of approximately US$3.2 billion (taking into account the need to provide for the carryover of funding from the current replenishment period of US$0.5 billion and the need to provision US$0.2 billion for ongoing small grant allocations and other recurrent costs). Annex 4 – Scenario 1 illustrates this, while Scenario 2 shows the impact of replenishment at a higher level.

Eligibility

12. MCAs are calculated based on a US$2.5 billion pot of available funds (based on a US$3.2 billion replenishment scenario and after deducting the necessary provision) with the two different methodologies (revised NPF formula and New formula) presented above. The cumulated MCA is also calculated following the same ranking and is compared to the scenarios for potential replenishment outcomes.

13. *Eligibility* is thus granted to a country if the amount available allows to reach the country’s rank in the “queue,” and covers the country’s allocation

14. Countries whose allocations can be covered by the replenishment are considered eligible and countries whose MCAs are not covered are not eligible, unless additional financing is pledged.

15. It is important to note that countries that do not make the cutoff for access to the program implementation grants would still be eligible to access other forms of GPE funding such as the “Education Plan Development Grant”. In addition, these countries may also be candidates for funding under any proposed Innovation Fund (e.g. they may be able to access funding to leverage external financing through debt buy downs, or as an incentive to allocate IDA resources towards basic education).

ANNEX 4 – Scenario Analyses

ALL AMOUNTS ARE INDICATIVE AND SUBJECT TO FURTHER CHANGE BASED ON FINALIZATION OF DATA AND ANY ADJUSTMENTS TO THE REFERENCE SCENARIO AMOUNT

SCENARIO 1

REFERENCE SCENARIO – US$2.5 billion based on various replenishment scenarios

Any Country on the List that does not make the cut would automatically become eligible to apply for support under the innovative approaches for leveraging external financing (Challenge Fund/Debt Buy Downs)

CUT	Replenishment Required
US$1,000m	US$1.7 Billion Replenishment
US$2,000m	US$2.7 Billion Replenishment
US$2,500m	US$3.2 Billion Replenishment

				Needs (NPF)				New Formula			
Rank	Country	Fragility (1=yes)	Past allocation	MCA NOT capped	Cumul	MCA capped at 100 million	Cumul	MCA NOT capped	Cumul	MCA capped at 100 million	Cumul
1	Somalia	1	14.5	29.9	30	47.6	48	15.6	16	27.7	28
2	CAR	1	19.2	14.6	44	23.1	71	8	24	14.3	42
3	Eritrea	1	25.3	15.5	60	24.7	95	8.2	32	14.7	57
4	DR Congo	1	100	202.9	263	100.0	195	130.4	162	100	157
5	Afghanistan	1	56.3	109.0	372	100.0	295	94.4	257	100	257
6	Niger	1	84.2	51.8	424	82.3	378	36.6	293	65.1	322
7	Chad	1	47.2	40.5	464	64.4	442	42.6	336	75.9	398
8	Ethiopia	1	100	189.0	653	100.0	542	141.1	477	100	498
9	Burundi	1	52.9	23.3	677	37.0	579	14.9	492	26.6	524
10	South Sudan	1	36.1	27.4	704	43.6	623	29.6	521	52.7	577
11	Liberia	1	40	10.8	715	17.1	640	6.2	528	11.1	588
12	Haiti	1	24.1	18.1	733	28.8	669	16.2	544	28.9	617
13	Mali	1	41.7	39.0	772	62.0	731	33.2	577	59.2	676
14	Madagascar	1	85.4	56.2	828	89.4	820	35	612	62.3	739
15	Malawi	1	90	40.6	869	64.5	884	32.6	645	58	797
16	Pakistan	1	100	263.3	1132	100.0	984	324.5	969	100	897

				Needs (NPF)				New Formula			
Rank	Country	Fragility (1=yes)	Past allocation	MCA NOT capped	Cumul	MCA capped at 100 million	Cumul	MCA NOT capped	Cumul	MCA capped at 100 million	Cumul
17	Cote d'Ivoire	1	41.4	47.3	1179	75.1	1060	47.8	1017	85.1	982
18	Guinea	0	37.8	24.5	1204	38.9	1098	18.5	1035	33	1015
19	Sierra Leone	1	17.9	15.6	1219	24.7	1123	9.4	1045	16.7	1032
20	Mozambique	0	90	52.4	1272	83.3	1206	40.6	1085	72.3	1104
21	Burkina Faso	0	78.2	37.0	1309	58.8	1265	35.5	1121	63.3	1167
22	Guinea-Bissau	1	12	4.4	1313	6.9	1272	2.6	1124	4.6	1172
23	Togo	1	27.8	15.3	1328	24.4	1297	11.7	1135	20.8	1193
24	Yemen, Rep.	1	82.6	58.5	1387	93.0	1390	61.9	1197	100	1293
25	Comoros	1	4.6	2.0	1389	3.2	1393	1.3	1198	2.3	1295
26	Gambia, The	0	6.9	4.5	1394	7.2	1400	2.9	1201	5.1	1300
27	Uganda	1	100	79.0	1473	100.0	1500	83.4	1285	100	1400
28	Benin	0	42.3	18.7	1491	29.8	1530	18.2	1303	32.5	1432
29	Nepal	1	120	53.6	1545	85.2	1615	60.6	1363	100	1532
30	Bangladesh	0	100	207.6	1753	100.0	1715	226.6	1590	100	1632
31	Zimbabwe	1	23.6	26.6	1779	42.3	1757	22.4	1612	39.8	1672
32	Rwanda	0	70.3	22.8	1802	36.3	1793	19.7	1632	35.2	1707
33	Senegal	0	46.9	22.9	1825	36.4	1830	25.6	1658	45.6	1753
34	Sudan	1	76.5	89.2	1914	100.0	1930	94.8	1752	100	1853
35	Myanmar	1	32.2	70.3	1984	100.0	2030	65.2	1818	100	1953
36	PNG	0	19.2	12.8	1997	20.3	2050	15.9	1834	28.3	1981
37	Nigeria	1	100	261.9	2259	100.0	2150	392.7	2226	100	2081
38	Mauritania	0	12.4	7.0	2266	11.1	2161	6.8	2233	12.1	2093
39	Cameroon	0	53.3	32.6	2299	51.8	2213	39.8	2273	70.9	2164
40	Lao PDR	0	16.8	10.6	2309	16.8	2230	12.1	2285	21.6	2186
41	Tanzania	0	100	76.8	2386	100.0	2330	69.9	2355	100	2286
42	Lesotho	0	20	4.2	2390	6.7	2337	4.7	2360	8.4	2294
43	Cambodia	0	38.5	18.8	2409	29.9	2366	21.1	2381	37.6	2332
44	Tajikistan	0	16.2	0.0	2409	0.0	2366	7	2388	12.4	2344
45	Kenya	0	88.4	69.9	2479	100.0	2466	81.1	2469	100	2444
46	Congo, Rep.	1	10.7	7.1	2486	11.3	2478	13.7	2483	24.4	2469
47	Nicaragua	0	16.7	8.1	2494	13.0	2491	11.5	2494	20.5	2489
48	Kyrgyz Republic	0	12.7	5.9	2500	9.3	2500	6	2500	10.8	2500
	Total	29	2 433	2 500		2500		2 500		2 500	

SCENARIO 2

Potential Impact on Allocations with a US$4 billion replenishment and an increase in the CAP from US$100 million to US$150 million to reflect that additional resources are available.

				Needs (NPF)				New Formula			
Rank	Country	Fragility (1=yes)	Past allocation	MCA NOT capped	Cumul	MCA capped at 150 million	Cumul	MCA NOT capped	Cumul	MCA capped at 150 million	Cumul
1	Somalia	1	14.5	38.9	39	55.9	56	20.2	20	31.7	32
2	CAR	1	19.2	18.9	58	27.2	83	10.5	31	16.4	48
3	Eritrea	1	25.3	20.2	78	29.1	112	10.7	41	16.8	65
4	DR Congo	1	100	263.8	342	150.0	262	169.5	211	150	215
5	Afghanistan	1	56.3	141.7	484	150.0	412	122.7	334	150	365
6	Niger	1	84.2	67.3	551	96.8	509	47.5	381	74.6	440
7	Chad	1	47.2	52.7	604	75.8	585	55.4	437	86.9	527
8	Ethiopia	1	100	245.8	849	150.0	735	183.4	620	150	677
9	Burundi	1	52.9	30.3	880	43.5	778	19.4	639	30.5	707
10	South Sudan	1	36.1	35.7	915	51.3	830	38.5	678	60.4	767
11	Liberia	1	40	14.0	929	20.1	850	8.1	686	12.7	780
12	Haiti	1	24.1	23.6	953	33.9	884	21.1	707	33.1	813
13	Mali	1	41.7	50.7	1004	72.9	956	43.2	750	67.8	881
14	Madagascar	1	85.4	73.1	1077	105.1	1062	45.5	796	71.4	952
15	Malawi	1	90	52.8	1129	75.9	1137	42.3	838	66.4	1019
16	Pakistan	1	100	342.3	1472	150.0	1287	421.9	1260	150	1169
17	Cote d'Ivoire	1	41.4	61.4	1533	88.3	1376	62.1	1322	97.5	1266
18	Guinea	0	37.8	31.8	1565	45.7	1422	24.1	1346	37.8	1304
19	Sierra Leone	1	17.9	20.2	1585	29.1	1451	12.2	1358	19.1	1323
20	Mozambique	0	90	68.1	1653	98.0	1549	52.8	1411	82.8	1406
21	Burkina Faso	0	78.2	48.1	1701	69.1	1618	46.2	1457	72.4	1478
22	Guinea-Bissau	1	12	5.7	1707	8.2	1626	3.4	1461	5.3	1484
23	Togo	1	27.8	20.0	1727	28.7	1655	15.2	1476	23.8	1508
24	Yemen, Rep.	1	82.6	76.0	1803	109.3	1764	80.5	1556	126.3	1634
25	Comoros	1	4.6	2.6	1806	3.7	1768	1.6	1558	2.6	1636
26	Gambia, The	0	6.9	5.9	1812	8.5	1776	3.7	1562	5.9	1642
27	Uganda	1	100	102.8	1914	147.7	1924	108.4	1670	150	1792
28	Benin	0	42.3	24.3	1939	35.0	1959	23.7	1694	37.2	1830
29	Nepal	1	120	69.7	2008	100.2	2059	78.8	1772	123.6	1953
30	Bangladesh	0	100	269.9	2278	150.0	2209	294.5	2067	150	2103
31	Zimbabwe	1	23.6	34.6	2313	49.8	2259	29.1	2096	45.6	2149
32	Rwanda	0	70.3	29.7	2343	42.7	2301	25.7	2122	40.3	2189

				Needs (NPF)				New Formula			
Rank	**Country**	**Fragility (1=yes)**	**Past allocation**	**MCA NOT capped**	**Cumul**	**MCA capped at 150 million**	**Cumul**	**MCA NOT capped**	**Cumul**	**MCA capped at 150 million**	**Cumul**
33	Senegal	0	46.9	29.7	2372	42.8	2344	33.3	2155	52.3	2241
34	Sudan	1	76.5	115.9	2488	150.0	2494	123.2	2278	150	2391
35	Myanmar	1	32.2	91.4	2580	131.4	2626	84.8	2363	133.1	2524
36	PNG	0	19.2	16.6	2596	23.9	2649	20.6	2384	32.4	2557
37	Nigeria	1	100	340.4	2937	150.0	2799	510.5	2894	150	2707
38	Mauritania	0	12.4	9.1	2946	13.1	2813	8.8	2903	13.8	2721
39	Cameroon	0	53.3	42.4	2988	61.0	2873	51.8	2955	81.2	2802
40	Lao PDR	0	16.8	13.7	3002	19.7	2893	15.7	2970	24.7	2827
41	Tanzania	0	100	99.8	3102	143.5	3037	90.9	3061	142.7	2969
42	Lesotho	0	20	5.5	3107	7.9	3045	6.2	3067	9.7	2979
43	Cambodia	0	38.5	24.5	3132	35.2	3080	27.5	3095	43.1	3022
44	Tajikistan	0	16.2	0.0	3132	0.0	3080	9.1	3104	14.3	3036
45	Kenya	0	88.4	90.9	3223	130.7	3211	105.4	3209	150	3186
46	Congo, Rep.	1	10.7	9.2	3232	13.2	3224	17.8	3227	28	3214
47	Nicaragua	0	16.7	10.6	3242	15.2	3239	14.9	3242	23.4	3238
48	Kyrgyz Republic	0	12.7	7.6	3250	11.0	3250	7.9	3250	12.3	3250
	Total	29	2 433	3 250		3 250		3 250		3 250	

Annex 5 - GPE Check: A Potential Tool in Support of Country-level Processes for the Development of Education Sector Plans

General purpose and reach

1. The GPE Check is designed as a collegial certification of the **process** of a quality review of an Education Sector Plan without changing the responsibility of local appraisal and endorsement of Education Sector Plans. It is in essence a freestanding process that could help leveraging external financing beyond GPE funds by building trust of partners inside and outside the local education group on the quality assurance process followed during the development of an education sector plan and as such is of potential value even to countries that are not applying for a Program Implementation Grant.

2. The GPE Check would be offered to GPE partners, and the international community at large, as a step towards a more inclusive and evidence-based decision-making process for aid allocation in education. The GPE Check would have an impact far beyond the sole Grant activity and would contribute to GPE's credibility as a lead global player in the education sector.

Design of the GPE check

3. The GPE Check would reflects GPE's commitment to efficiently promote best innovative international practices and to continuously leverage the impact of GPE partners in the most cost efficient way. The GPE Check would draw from the successful Public Expenditure and Financial Accountability ("PEFA Check") model. This quality assurance process would have to be adjusted to the specifics of the GPE mandate.

4. The Secretariat will work on the operational details of the GPE Check for validation by the Board in June. The details will define key assurance quality review instances in the phases of the development or update of an ESP.

5. A more formalized review process, incentivized through a GPE Check certification, will help GPE highlight the LEGs diagnostic and preparation work covering transformational changes in education management: efficiency, equity, learning, data policy, capacity building, strengthening of public financial management and national systems.

6. The important point to emphasize at this stage is that the GPE Check is a validation on the processes of quality reviews, not the actual content or the extent to which the LEG takes the reviewers' observations on board in their final ESP. Full local ownership of the ESP thereby remains intact.

7. This collegial certification process is not a substitute for the Development Partner Group endorsement process; instead, it complements it by reinforcing local capacity for the development of country-led ESPs (and related medium-term implementation plans) according to best international practices and with the continuous support of the GPE Secretariat and other relevant players.

The PEFA Check

The Public Expenditure and Financial Accountability (PEFA) program was founded in 2001 as a multi-donor partnership to assess performance of national public finance management systems and develop a practical sequence for reform and capacity-building actions.

In order to address quality concerns and enhance the trust of users, the PEFA introduced a new mechanism ("PEFA Check") in May 2012 for confirming adequate quality assurance processes. Endorsed assessment reports are formally distinguished by: (i) the use of a logo on the report's front page; (ii) the report being prominently marked on the PEFA website and database; (iii) the issuance by the PEFA Secretariat of a statement to the lead agency.

More details on the PEFA check can be found on the PEFA Program website (www.pefa.org)