EXTENSION OF INDICATIVE ALLOCATIONS EXPIRING IN 2014

For Decision

1. PURPOSE

1.1 The purpose of this paper is to present the Board of Directors with a recommendation from the Country Grants and Performance Committee (CGPC) with regards to remaining indicative allocations in the 2012-2014 Replenishment Period, which expire on December 31, 2014.

2. RECOMMENDATION

2.1 The CGPC recommends the Board of Directors approve the following decision:

BOD/2014/06-XX – in reference to decision BOD/2013/11-07, **Indicative Allocations List 2014:** The Board of Directors:

1. Extends the expiration date of December 31, 2014 for all countries with an existing indicative allocation that have commenced Phase 1 of the Quality Assurance Review but are not approved for a program implementation grant by December 31, 2014;

2. Decides that the extended allocation will represent that country's maximum country allocation for the 2015-2018 period, subject to the provisions of Point 4;

3. Decides that the application for any extended allocation should be guided by the principles of the new funding model but may be submitted under the existing requirements in effect, provided the application is submitted in the first round of 2015. Any application submitted in a subsequent round will be subject to the requirements of the new funding model; and

4. Decides that, in the event that the country would have been entitled to a higher allocation under the new funding model, the country may apply for the higher amount only if it formally submits an application subject to the requirements of the new funding model.

3. BACKGROUND

3.1 As the Global Partnership transitions from one funding model and replenishment period to the next, implications for those developing country partners with remaining indicative allocations under the current funding model and replenishment period need to be considered. Specifically, the Board of Directors should address the question of what should happen to countries with remaining indicative allocations in 2014 that are not ready to submit strong applications in the final submission round of 2014 with a September deadline. Currently, these allocations are set to expire on December 31, 2014 per BOD/2013-11-07.

3.2 The CGPC considered this issue at its last meeting on April 29-May 1, 2014 and while in favor of extending the allocations (See Annex 1), determined that it may be premature to make a specific recommendation to the Board for its consideration at the June Board meeting. The CGPC's deliberations on this issues were also disclosed to the Governance, Ethics, Risk, and Finance Committee (GERF) for consideration of the financial impact on available resources. The GERF had no objections considering that any application that is submitted in 2015 would reduce the level of the carryover and improve the Global Partnership's financial position.

3.3 Since the CGPC meeting, the need to have clarity on the situation has evolved. Firstly, the Secretariat's recent discussions with countries as part of the QAR process have identified the need from countries to have clarity as soon as possible on the status of their allocation for planning purposes. Secondly, the Board decided that while it still intends to announce new allocations for the 2015-2016 period at its Board meeting at the end of June, it may not be in a position to make that decision at that time as further clarification with donors on the status of their financial pledges to the GPE Fund may be required in the weeks following the replenishment conference. This increases the level of uncertainty for affected countries.

3.4 In a situation where there is no extension of the allocation or there is continued uncertainty as to whether an extension will be granted, or when new allocations for the 2015-2016 period will be announced, there is a real possibility that affected countries may submit applications that are rushed out of fear of losing their allocation. This would have several negative consequences. It could well damage the country's education sector by relying on a plan that is not solid. It could also lead to a reputational risk for the Global Partnership if the Board were to approve a grant for a proposal that is not strong enough, or if it were to recommend against funding and potentially deny a country its indicative allocation.

Countries with an Indicative Allocation in 2014 that have commenced Phase 1 of the Quality Assurance Review (QAR) process:

- Bangladesh
- Central African Republic
- Congo, Republic
- Guinea
- Guyana
- Kenya
- Lao, PDR
- Nigeria
- St. Vincent & Grenadines
- St. Lucia

4. REASONS FOR RECOMMENDATION

4.1 The proposed recommended decision language has been developed and refined based on the options that were discussed by the CGPC in April (Annex 1). The recommendation would provide affected countries with the assurance that they will receive GPE funding and reduce the risk of applications being submitted prematurely, leading to the undesirable consequences described earlier.

4.2 The recommendation would also ensure that the transition period to the new funding model is smooth by requesting countries to consider the principles of the new funding model in their application but not formally imposing the requirements on those that submit in Round One of 2015.

4.3 For countries that may benefit from a higher allocation under the new funding model than their current allocation, the proposal includes that they may only access the higher amount if they submit under the requirements of the new funding model. The alternative would be to apply for the existing allocation under existing rules. In addition, to avoid a lengthy transition phase to the new funding model, in the event that any extended applications are not submitted in Round One of 2015, countries will be expected to apply the new funding model requirements when they apply.

4.4 The Secretariat notes that of the affected countries, it expects less than a handful might take the opportunity to delay their application.

5. IMPLICATIONS FOR RESOURCES

5.1 There are no negative implications for the GPE Fund. The recommendation may in fact improve the financial position of the Global Partnership as any affected country that submits in 2015 would not receive an additional allocation in the 2015-2018 period.

5.2 The CGPC recommends the GERF consider the financial implications of the recommended decision during its meeting scheduled for June 26 in Brussels in light of its deliberations on available resources and potentially the need for prioritization of resources.

6. NEXT STEPS

6.1 If the Board approves the recommendation, Secretariat country leads for countries with remaining indicative allocations in 2014 that have commenced Phase 1 of the QAR process may advise countries of the opportunity to submit their application at a later date. This will allow the Local Education Group to determine the appropriate timing of any application taking into consideration national planning and implementation readiness.

ANNEX 1:

2014 Indicative Allocations Discussion of Scenarios

During its April 29-May 1 meeting, the CGPC considered the questions below and determined in favor of those options highlighted in yellow.

What happens to a country expected to apply in Round 2 of 2014 that is either not ready or is not recommended for approval?

Current Situation – The existing allocation will expire, and if they are eligible for a new allocation as determined by the Board in June 2014, they can apply for the new allocation under the rules of the New Funding Model

1. **What happens if they are not eligible for an allocation in the next replenishment period?**

   Option 1 – They lose their allocation and the overall financial position of GPE improves.

   Option 2 – They are granted a grace period of an additional 6-12 months to apply. As GPE is already forecasting that we will make an allocation, there are no additional negative financial implications. A determination will need to be made to apply the existing rules or adopt the new funding model requirements.

2. **If they are eligible for a new allocation but the allocation is lower or higher than their existing allocation – can they apply for the higher amount?**

   Option 1 – As we are currently forecasting two allocations (one in 2014 and a second allocation in 2018), we will replace this with one allocation and allow them apply for the higher of the two. This will still improve the overall financial position of GPE and will be least disruptive to the country.

Option 2 – They must apply based on the new allocation amount – this may have negative implications for planning and cause delays if the new allocation is significantly lower than the existing allocation.

3 **Should the new funding model rules apply or not?**

Option 1 – The existing rules can apply which should allow them submit in Round 1 2015 but has the implication that the affected country would be operating under old rules for the entire

replenishment period (2015-2018) and thus would stretch out the transition time for the GPE portfolio to fully adopt the New Funding Model.

Option 2 – This is a new replenishment period and therefore the New Funding Model should apply. The implications are that it will take additional time to revise the application to meet the new requirements and applications may slip to Round 2 2015.