PREPARING FOR THE NEXT REPLENISHMENT
AN UPDATE FROM THE STRATEGIC FINANCING WORKING GROUP
For Decision

1. STRATEGIC PURPOSE

1.1 This paper seeks to update the Board on the work of the Strategic Financing Working Group (SFWG) and obtain Board guidance on and support for the proposed work agenda for the coming six months. Decisions are sought on timing of the next replenishment campaign as well as guidance on the overall breadth of the strategic financing framework in terms of eligibility, funding mechanisms and financing instruments. This paper reflects the deliberations and input of both the GERF and SPC at their meetings in late April and early May and takes into account the expansion in scope and scale for GPE that is contained in GPE 2020.

2. EXECUTIVE SUMMARY

2.1 In December 2015 the Board approved a new GPE strategic plan for the period 2016 to 2020 (GPE 2020). In order to finance the implementation of GPE 2020 and in preparation for the next replenishment, the Board requested that a working group of the GERF and SPC be established to develop concrete strategic financing recommendations by December 2016. This work aims to provide guidance to the Board on its approach to the next replenishment, and on the design of a ***Financing and Funding Framework*** with an appropriate mix of funding mechanisms to address the breadth of problems and outcomes contained in GPE 2020.

2.2 The Strategic Financing Working Group (SFWG) was established in February 2016 and has met every two weeks by conference call throughout March, April and early May. The SFWG has recognized that a significantly greater time commitment is required in order to complete its work by the end of the year and a number of face-to-face meetings are now scheduled. The Secretariat has also recently established a dedicated task team to support the SFWG and will be engaging an independent consulting firm to assist with technical analysis of the *Financing and Funding Framework*. The SFWG recognizes that its work will be informed significantly by the Board's

decisions regarding the choice of targets to be included in the new GPE Results Framework: these will be the metrics that set GPE's ambition.

2.3 In order to arrive at a cogent set of recommendations to the Board by November 2016, the Strategic Financing Working Group will require agreement on four key dimensions that will help guide the parameters of its analyses and deliberations. The first two dimensions emanate from this paper; all four are for Board consideration/decision at its face-to-face meeting in June 2016.

1) **Timing:** Agreement on the timing for the next replenishment, based on a compelling case for investment supported by concrete results.
2) **Breadth with Differentiation:** Agreement on the development of a broad *Financing and Funding Framework* to achieve GPE 2020, with inclusion of countries based on the objectives of the Strategic Plan, and new and differentiated funding mechanisms and/or financial instruments.
3) **Targets:** Agreement on the targets for the results framework.
4) **EiEPC:** Agreement on the overall direction for GPE engagement in education in emergencies and protracted crises and its relationship with the new Education Cannot Wait platform.

2.4 Within the context of these decisions, the SFWG will then work to prepare for Board approval in late November/early December 2016 the following series of *Financing and Funding Framework* options:

- **Funding Mechanisms:** A set of new funding mechanisms (or windows) that allow a more differentiated approach to funding implied by GPE 2020.
- **Proportionality:** An outline of the relative sizes of the core ESPIG and new funding mechanisms.
- **Eligibility:** Eligibility criteria for each funding mechanism, including revised eligibility for ESPIGs.
- **Allocation:** Allocation methodology for each funding mechanism, including revised allocation formula for ESPIGs.
- **Financing:** The approach to securing the maximum external financing of the mix of funding mechanisms, including co-financing, innovative financing and possible targeted financing.

- **Contributions Policy:** A contributions policy with appropriate safeguards that outline the circumstances in which targeted contributions would be allowed.

2.5 Following Board approval in November/December of an overarching *Financing and Funding Framework*, further work will be needed on the detailed operational design of individual funding mechanisms including application processes, requirements and incentives to access funding.

2.6 To date, the SFWG has addressed two of the requests made in the Board decision on "Preparing for the Next Replenishment Period" (BOD/2015/12-16). First, the SFWG has considered the lessons learned from the last replenishment, details of which are contained in the attached Annex 3. The most important lessons identified are (i) the need for a compelling Theory of Change and accompanying results reporting; (ii) the need for adequate preparation time and duration of any replenishment campaign; (iii) a number of fully engaged political champions; (iv) making the most of GPE's ability to leverage significant domestic financing; and (v) ensuring that the replenishment period aligns with GPE's strategic plan period.

2.7 Secondly, the SFWG has undertaken a preliminary consideration of eligibility and allocation approaches. The SFWG considers that in order to achieve the goals of GPE 2020, eligibility criteria will need to be aligned with the new scope, scale and goals of the plan, and that this may result in additional (or different) countries being eligible for support of some kind. This broadened scope and scale is likely to result in GPE supporting a more diverse range of country contexts and this will require more differentiated approaches. To design a *Financing and Funding Framework* aligned with GPE 2020, the SFWG considers that a number of different funding mechanisms will be needed. This will include the Education Sector Plan Implementation Grant (ESPIG), which should remain the main GPE fund. The SFWG will therefore be assessing possible funding mechanisms and recommending eligibility criteria and allocation methodologies for each funding mechanism, along with its relative size (envelope), scope and operational implications. Different eligibility criteria and allocation methodologies will likely be needed for different funding mechanisms to ensure they support (and differentiate across) the diversity of contexts and potential funding objectives. The SFWG has developed a matrix that captures its approach to the task allotted it and will form the basis of the recommendations to the Board in late 2016 (see Figure 1, Financing and Funding Framework: Operational Implications).

2.8 The creation of additional funding mechanisms will serve a range of purposes. Firstly, it should help enable a more differentiated approach across the diverse contexts that GPE will be supporting. Secondly, establishing different funding mechanisms with different objectives and contribution policies should help to mobilize additional financing from a wider range of sources.

Thirdly, different funding mechanisms should allow the Board to better balance the need for prioritization and predictability by establishing funding envelopes and tailored eligibility and allocation criteria for *each* funding mechanism. Differentiation, mobilization of additional funds and effective prioritization are all key to maximizing the impact of GPE.

2.9 In late April, the Coordinating Committee also agreed that the SFWG should incorporate GPE's financing approach to education in emergencies and protracted crises (EiEPC) into its terms of reference. This includes further analysis of the business case for possible future GPE hosting of the new Education Cannot Wait (ECW) platform, based on the outcome of the Board's deliberations on this topic in June 2016.

2.10 The Coordinating Committee recommended that an independent consulting firm be engaged to assist in designing the *Financing and Funding Framework*, including its component parts, proposing options and assessing the relative merits of each proposed funding mechanism based on the guiding principles put forward by the SFWG. The independent consulting firm will also review the ECW business case prepared by the Secretariat and conduct analysis of the operational implications of both the *Financing and Funding Framework* and ECW business case. The CC also agreed that Board members should have an opportunity to "interrogate" the analysis and options provided by the consulting firm.

2.11 In order to maximize the time available for the development of the *Financing and Funding Framework*, the Secretariat has requested that the SFWG report directly to the Board in November 2016 rather than through the GERF and SPC meetings in October. This will allow the SFWG and the external consulting firm an extra few weeks of analysis and operational assessment. The SFWG agrees with this and does not feel that it can deliver on the tasks required before the committees meet in October, given the large amount of work required. The GERF and SPC have not reached a view on this recommendation. The SFWG would also welcome greater involvement of SPC and GERF members in the work of the SFWG, and envisions a role for SFWG sub-groups to inform selected areas of the work. The SFWG notes the significant workload for the coming few months and accordingly also requests the GERF to consider all issues related to replenishment planning, so that SFWG can maintain a clear focus on the financing and funding considerations.

2.12 The SFWG/SPC/GERF are not making any recommendations about specific funding mechanisms at this point. The only decisions sought in this paper pertain to timing of replenishment and the proposed approach to the design of the *Financing and Funding Framework*.

3. RECOMMENDED DECISION

BOD/2016/06/XX—[Preparing for the Next Replenishment]: The Board of Directors:

1. Thanks the Strategic Financing Working Group for its work to date and notes the indicative forward work plan.
2. Endorses the proposed approach to the design of a *Financing and Funding Framework* that includes a broader mix of funding mechanisms to help enable a more differentiated approach to GPE funding in order to achieve the goals and ambitions of GPE 2020, while also providing opportunities to mobilize additional financing from a wider range of sources.
3. Notes that the majority of GPE funding will continue to be directed to Education Sector Plan Implementation Grants.
4. Agrees to the forthcoming replenishment covering a period of 2018–2020 to align with GPE 2020.
5. Agrees to the GERF recommendation of a replenishment campaign that concludes in Q4 2017 or Q1 2018.
6. Recommends that in order to maximize the available time to complete its work, the SFWG report directly to the Board in November 2016.

FIGURE 1. FINANCING AND FUNDING FRAMEWORK: OPERATIONAL IMPLICATIONS

	Current Operational Model	GPE 2020	GPE 2020 + ECW
Funding Mechanisms	• ESPIG • PDG • GRA • CSEF • ESPDG • Emergency and protracted crisis response for ESPIG recipients	• ESPIG • PDG • ESPIG + • Non-ESPIG countries: new leveraging/ innovation country funding mechanisms • KGPE • ESPDG • CSEF • Other partnership-wide mechanisms • Emergency and protracted crisis mechanisms	• As for GPE 2020 column, plus: • Education Cannot Wait funding windows
- Operational implications -Alignment to GPE 2020 -Country delivery structure -Transaction costs -FIF/Trust Fund -Scale -Risks -Financing sources & instruments -Funding envelope -Eligibility and allocation	Existing	To be assessed by November	To be assessed by November

4. BACKGROUND

4.1 In 2015, the Global Partnership for Education developed a new strategic plan (GPE 2020) to cover the period 2016 to 2020. GPE 2020 sets out the vision, mission, goals and objectives of the partnership, aligning it with Sustainable Development Goal 4 and detailing a results framework based on GPE's Theory of Change. As the partnership pivots toward the implementation of its new strategic plan, of critical concern are its implications for where and how to henceforth invest GPE's resources. Firstly, by aligning with Sustainable Development Goal 4 to "ensure inclusive and equitable quality education and promote lifelong learning opportunities for all," GPE 2020 encompasses greater scope, focused primarily on basic education and progressively expanded to upper secondary and early childhood care and education. GPE 2020 also puts a much more concerted emphasis on learning and equity rather than simply on primary school access (BOD/2015/12/DOC 08 – Annex 1, p. 1). Despite the expanded scope of GPE 2020, it continues to prioritize addressing educational needs in the poorest countries, including countries facing fragile and conflict-affected situations.

4.2 Implementation of GPE 2020 also requires that the partnership increase the priority of some of its operational functions (deriving from GPE's Theory of Change), such as the use of knowledge and good practice exchange to ensure that shared knowledge drives improved country-level outcomes. GPE 2020 also augments the focus on mutual accountability, with stronger emphasis on both the role of partners in national education sector planning policy dialogue and the use of data and evidence to audit progress against implementation goals. As such, GPE's financing must lock into and improve the effectiveness of its operational platform and ensure that critical gaps in policy, implementation and monitoring are addressed. Finally, GPE 2020 further underlines the importance of GPE's comparative advantage of working to build stronger education systems.

4.3 As it embarks on the next five-year period, GPE is in a position to pivot its mobilization and use of financing to better achieve the aims of GPE 2020, and in so doing tackle some of the persistent challenges in its work to date. The latest *Global Education Monitoring Report* found that basic education aid levels have gone down by 5 percent since 2013, and that countries most in need of aid are getting the least amount of it. It is therefore essential that GPE mobilize additional resources for basic education for its developing country partners if it is to deliver on GPE 2020. Taking advantage of the opportunity to engage new partners and explore alternative sources and financing mechanisms will be important, in addition to building on its core grant financing currently funded largely by traditional donors. These challenges speak directly to the GPE 2020 goals and objectives, and require a broader view of how GPE's financing can be used to make a concrete difference for its developing

country partners. Given the context outlined above, the key question is: How should the Global Partnership adapt its approach to financing in order to deliver on the goals and objectives of the new strategic plan? As it prepares for its next replenishment, the Board and Secretariat are therefore concerned with how GPE can best mobilize additional resources, deliver them through mechanisms that address the major challenges to achieving GPE 2020, and build on its unique operational model to better drive educational progress at scale.

4.4 As part of these efforts, the Board of Directors requested a joint working group of the Strategy and Policy Committee (SPC) and the Governance, Ethics, Risk and Finance Committee (GERF) to undertake the significant task of strengthening the GPE funding platform and preparing for the next replenishment period. The joint working group was also asked to present recommendations in late 2016, which would enable the Board to make major decisions regarding the replenishment. The formal December 2015 Board decision is as follows:

BOD/2015/12-16–Preparing for the Next Replenishment Period: The Board of Directors, in the context of preparing for the next funding cycle:

1. Agrees to establish a joint working group of the Strategy and Policy Committee (SPC) and the Governance, Ethics, Risk and Finance Committee (GERF) to:
   (a) Undertake a systematic analysis of, and lessons learned from, the 2014 Replenishment;
   (b) Examine GPE eligibility criteria and methodology for allocating resources for meeting the objectives of the Strategic Plan 2016–2020;
   (c) Examine potential alternative and innovative funding mechanisms that could be adopted to improve prospects to promote additionality, co-financing, and leveraging in order to support the achievement of the goals and objectives of the Strategic Plan;
   (d) Examine the resources that would be required to support the options for potential changes to eligibility/allocation and funding mechanisms arising from the work on b and c above, and the work of the SPC on the Global Partnership's role as a funder of Knowledge and Good Practice Exchange (BOD/2015/10-04);
2. Requests that the Secretariat to submit to the SPC and GERF a preliminary options paper for their presentation to the Board by June 2016, and guided by the deliberations during the June 2016 Board meeting, recommendations for the SPC and GERF's review in order to facilitate a decision by the Board in December 2016 for the next funding cycle on:
   (a) An appropriate date for the next replenishment;
   (b) Eligibility criteria for GPE Funding;

(c) A basis for allocation of GPE Funding;

(d) Funding mechanisms; and

(e) A financial contributions policy and strategy including appropriate principles and safeguards that would outline the circumstances in which targeted contributions would be acceptable in support of approved funding mechanisms.

4.5 For the purposes of this paper and all related documents and work, the term "financing" is used to describe any form of financial resources coming into the GPE Fund and "funding" is used to refer to monies going out. "Eligibility" determines which countries or other partners are able to apply for different types of GPE funding, and "allocation" determines the total amount of funding that countries or other partners (such as civil society, NGO or knowledge partners) can receive under additional funding windows. Please see Annex 1 for a glossary of terms used in this paper.

Analytic Approach to Strategic Financing

4.6 At its November/December 2016 face-to-face meeting, the Board will receive a proposal for a *Financing and Funding Framework* for GPE 2020. This will include options for GPE funding mechanisms that will advance GPE from its current operating platform toward implementing the aspirations and ambition of GPE 2020, which aims to support the achievement of Sustainable Development Goal 4. The presentation of options for funding mechanisms will include an overview of the rationale in terms of strengthening GPE effectiveness and impact on equity and learning, and the operational implications of any new funding mechanisms, including trust fund structures, likely transaction costs, country-level delivery channels, alignment with sector planning, requirements of funding mechanisms, how they will be financed (e.g., targeted financing or pooled funding or mix) and prospects of viability. All options for funding mechanisms will be presented with their respective eligibility and allocation criteria, aiming to ensure that they are coherent as a total package. In order to develop these options, the SFWG has requested the Secretariat to undertake, with additional contracted support, an analysis of the set of problems any new funding mechanisms would seek to address and potential mechanisms to address these problems. Please see Figure 1 for a graphic illustration.

4.7 ESPIG Plus: The first set of challenges is related to opportunities to strengthen the current results-based funding model based on evidence as to which key issues hamper the impact of Education Sector Program Implementation Grants (ESPIGs) and cannot be sufficiently addressed through the requirements of the funding model. For example, in sector planning there is evidence that lack of data, exclusion of refugees from sector plans, and other issues outside of the education

sector pose barriers to achieving GPE 2020 in many developing partner countries. By locking additional financing into the delivery of ESPIGs, piggybacking on the current operational model and policy and planning cycles, "ESPIG Plus" approaches may be worth exploring.

4.8 Non-ESPIG countries: The second set of challenges involves those that may require a different funding mechanism. For example, countries that may not qualify for ESPIGs — or that would fall lower in prioritization due to higher income levels or greater educational progress on key indicators (for example, in this replenishment round, LMICs were excluded from applying for ESPIGs after prioritization) — require a different type of support. The Secretariat will therefore undertake an analysis of the needs of lower-middle-income countries (LMICs) to determine what role GPE financing could play in order to make a marked difference in education outcomes, including through leveraging and co-financing.

4.9 EiEPC: A third set of challenges relates to those countries experiencing emergencies and protracted crises. GPE is currently examining its comparative advantage in this area in conjunction with the launch of the new global platform (Education Cannot Wait) to address education in these contexts. The SFWG will further examine GPE's role as it relates to gaps in the architecture for education in emergencies and protracted crises, with a view to ensuring that the final platform structure benefits from areas where GPE can best help to bridge the divide between emergencies and development. This will also ensure that any decision related to where the platform for education in emergencies will be hosted and how it will interact with implementing partners is informed by a clear consideration of GPE's capacities in this area.

4.10 Partnership-wide: Finally, a fourth set of challenges concerns those that would cultivate partnership-wide benefits and would be relevant for the broad range of partners, including LICs, LMICs and countries facing fragility and conflict. To date, the GPE has provided funding for education sector plan development, global and regional activities and the Civil Society Education Fund, on the basis of a broad eligibility. Going forward, funding for knowledge and good practice exchange and other partnership-wide activities will be considered under this analytic area.

4.11 Financing instruments: In addition to considerations of which funding mechanisms are best suited to address the gaps in delivering GPE 2020, the SFWG and Board will also need to assess which financing instruments are best placed to mobilize and deploy additional financing for education. A range of potential financing instruments were provided in Annex 1 of the December Board paper on strategic financing (BOD/2015/12/DOC 10), including debt buy-downs, debt swaps, incentives for co-financing, challenge-based grants, guarantees, development impact bonds and parametric insurance. In addition, the Education Commission report in September is likely to further

recommend financing instruments that may be well suited to the *Financing and Funding Framework*.

4.12 Further analysis will be required to assess the relative merits of each instrument in meeting the needs identified for GPE's developing country partners, and also which ones are considered viable in terms of attractiveness to donors and other potential financiers such as lenders. Consideration will also need to be given to how funds will be set aside for each purpose: whether replenishment targets should be adopted for dedicated purposes, and whether funding targeted this way should be notionally earmarked within GPE's existing pooled fund or by establishing new trust funds.

4.13 The starting point to this exercise is that all potential funding mechanisms are on the table for consideration to be included in the *Financing and Funding Framework*. The SFWG will develop criteria for the selection of the optimal funding mechanisms to best address the identified needs. These criteria might include, for example, the need for funding mechanisms to (a) lock into or complement the existing operational model, (b) raise additional funding, (c) address the priority areas of GPE 2020, (d) require low transaction costs, and so on. All of the funding mechanisms proposed should address the risk of insufficient financing, factoring in potential prioritization as a part of the eligibility and allocation frameworks for each mechanism, including ESPIGs. The Board recommendation regarding prioritization of funding related to the delivery of GPE 2020 will underpin the SFWG's proposal for the *Strategic Financing and Funding Framework*:

> *BOD/2015/10-06 "Prioritization: The Global Partnership recognizes that, no matter how successful any fundraising efforts may be, decisions will always need to be made on funding priorities. The Global Partnership will, taking into account the priorities of the partner country, make decisions on the basis of what most effectively maximizes equity, quality and learning outcomes in accordance with the GPE funding model. In the allocation of funds raised in future funding cycles, such criteria will necessarily mean a continuing focus on and majority of funding for basic education (meaning at least one year of pre-primary, primary, lower secondary and second chance education). However, in some contexts the Global Partnership recognizes that equity issues in upper secondary education and a more comprehensive view of early childhood development, care and pre-primary education, will be appropriate for the Global Partnership to fund."*

Replenishment Considerations

4.14 Lessons Learned: The SFWG conducted an analysis of lessons learned from the last replenishment campaign in 2014. Annex 3 sets out in detail this work, and the figure below summarizes the principal lessons.



4.15 Replenishment period: In order to address the scope of work requested by the Board and begin planning for the next replenishment, an examination of the current context for GPE's financing is important. The current replenishment cycle covers a four-year period from 2015 to 2018, which includes the first three years of the GPE 2020 period. One of the core lessons derived from the SFWG analysis is the importance of aligning replenishment cycles with strategic planning cycles. This ensures that the financing ask is linked to the ambition and goals/indicators of any planning cycle. Accordingly, SFWG recommends that the next replenishment be something of a transition, covering the period through to the end of 2020 to align with GPE 2020.

4.16 Replenishment timing: The timing of the next replenishment campaign and major pledging moment is complex and affected by a number of factors, some indicating an early date and some a later date. In normal circumstances, it would occur four years after the previous replenishment, in mid-2018.

Factors Suggesting an Early Date (Late 2016/Early 2017):

- According to current Secretariat projections, the GPE Fund has indicatively allocated all its projected available resources for the current replenishment period to countries tentatively expected to apply by the end of 2017, leaving the partnership constrained in its ability to make further indicative country allocations to a number of existing eligible countries that would have expected to receive an allocation in 2018.
- Not all donor pledges made during the 2014 replenishment or contribution agreements since signed extend commitments through to 2018. Some form of additional pledging and top-up exercise for 2018 is required.
- The Board is acutely aware of the necessary prioritization in place due to foreign exchange losses against pledges made to the GPE Fund in 2014. The GERF has identified risks of further forex losses, which could deplete available resources further.
- It takes countries significant time to prepare funding applications for Board approval once allocations are known. An earlier replenishment date would avoid a major gap in announcing indicative country allocations.

Factors Suggesting a Later Date (Late 2017/Early 2018):

- The global donor landscape is very challenging, particularly in Europe, where the refugee crisis has had an impact on foreign aid allocations. The situation is unlikely to change for some time.
- The ambition for GPE 2020 will be defined by its targets, which will not be fully in place and approved by the Board until late 2016. These targets are essential to developing a fully formed case for investment.
- Similarly, the work of the SFWG will not be completed until the end of 2016, when the Board will be in a position to approve the various funding mechanisms and their relative scale for which the replenishment campaign would then seek financing.

- One of the critical lessons from the last replenishment was the necessity of a clear Theory of Change and accompanying results reporting. The first partnership-wide results report will be completed at the end of 2016.
- The Secretariat is singularly focused on completing the work of strengthening the GPE country-level operating platform and ensuring that the funding model is successful. This is essential to any donor confidence in a future replenishment campaign. The bulk of the reforms and platform strengthening will be completed by the end of 2016, though much work will be ongoing.
- The Education in Emergencies and Protracted Crises platform (now called Education Cannot Wait, or ECW), in which GPE is an active partner, will be launched in May 2016. Further clarification about the long-term host of the fund, its structure, funding targets and mechanisms will be progressively available over the course of the following 12 months, which will provide GPE with a better vantage point from which to plan its own replenishment.
- The International Commission on Financing Global Education Opportunity (the Education Commission) will be releasing its recommendations at the UN General Assembly in 2016, setting out the financing case and proposed funding mechanisms for the education sector, some of which GPE may be in a position to carry forward as part of its replenishment offer.

4.17 Added to these factors are some simple logistical considerations: An effective replenishment campaign requires nearly a year of activity. The formal case for investment should be released six to nine months before the main replenishment pledging event. More donors are in a position to pledge at the end of a calendar year than the middle.

4.18 The set of arguments for an earlier replenishment would suggest the sooner the better, late 2016 or early 2017. However, the foundations for a successful replenishment would simply not be ready. There is too much preparatory work and need for locking down the reform/improvement program underway. 2016 is a year of laying the foundation for GPE 2020, and the Secretariat and partnership should not be distracted. The Secretariat believes it will be in a position to launch a compelling case for investment built on a strong results narrative no earlier than March 2017. This would mean that the earliest a major replenishment pledging event could occur would be the end of 2017.

4.19 Leaving replenishment to mid-2018 is obviously too late, given the current financial strictures faced by GPE and the requirements of country planning. All factors therefore indicate a

late 2017 or very early 2018 replenishment timing. The GERF has reviewed this recommendation from the Secretariat and supports it.

4.20 Replenishment targets and scenarios: The Secretariat has undertaken some initial analysis of possible replenishment scenarios in terms of potential bilateral and private sector/foundation contribution amounts to the GPE Fund. However, a realistic modeling of potential replenishment scenarios will only be possible once the Board has: (a) determined results targets that express the partnership's ambition in achieving the goals and objectives of GPE 2020; (b) considered the implications of recommendations by the Education Commission; and (c) examined the operational implications of GPE hosting Education Cannot Wait. With a full options paper laying out the proposed funding mechanisms and their respective eligibility and allocation criteria, the Board will be in a better position to make a decision on replenishment scenarios at its next face-to-face meeting in November. The SFWG requests that the GERF consider all of the planning issues and approaches to the next replenishment since the SFWG does not feel it has the capacity to handle this as well as all of its other work.

Financial Contributions Policy

4.21 The SFWG has yet to address the Financial Contributions Policy. This work is scheduled for the third quarter of 2016. Board members will be fully consulted in its development.

5. IMPLICATIONS FOR SECRETARIAT RESOURCES AND RISK ANALYSIS

5.1 The costs involved in all of the work required before the next Board meeting are covered within the Secretariat 2016/2017 budget submission (BOD/2016/06 DOC 23) and the May 2016 Board no-objection decision on funding carry-over (BOD/2016/05/ DOC 02).

6. NEXT STEPS

6.1 From May to June, the Secretariat will have undertaken preliminary analysis for a list of potential funding mechanisms the partnership might consider integrating to meet the ambition of the new GPE Strategic Plan and Education 2030, as well as the potential for new or additional needs of partner countries.

6.2 The Coordinating Committee has recommended that, in order to deliver on the technical analysis and operational implications of the revised funding and expanded financing mechanisms, the Secretariat should commission an external firm to provide additional analytic capacity to help progress the work of the SFWG. The external firm will be guided by the SFWG and will report through

the Secretariat to the working group, and thence to the Board of Directors. Therefore, simultaneously, the Secretariat will begin the search process for recruitment of the external firm to support additional in-depth analysis of the operational implications, external review of the ECW business case (submitted to the Board in June 2016), and assessment of capacity of the Secretariat and partnership to deliver on revised or new funding mechanisms.

6.3 Thus the Secretariat and SFWG will work closely with the external firm from July to August, carefully considering recommendations and integration of relevant material from the report of the Financing Commission on Education to be released in September, 2016. The SFWG will submit a *Financing and Funding Framework* paper with recommendations on eligibility and allocation of GPE core funding, as well as specific new funding mechanisms and their operational implications, to the Board at its face-to-face meeting at end of November 2016.

6.4 The Secretariat has suggested that if the SFWG were to report directly to the Board in late November, an additional month could be gained in functional work time for the SFWG. The SPC and GERF could continue to fulfill their mandates through their representatives on the SFWG by being copied on the information sent to the SFWG and by allowing remaining committee members to join meetings of the SFWG as desired. The time frames included in this paper assume this reporting arrangement to be the case.

An indicative revised timeline for this work, until the November Board meeting, will thus include:

Date-2016	**Activity**	**Responsible**
May	Search for external firm to conduct additional technical analysis is begun, with TORs reviewed by SFWG	Secretariat and SFWG
June	DCP constituency meetings in Paris SFWG face-to-face meeting and agreement on forward work plan	SFWG and Secretariat
July–August	Integrating EiEPC into SFWG work Contributions issues document circulated to SFWG constituencies for consultation Assessment of capacity to deliver, external review of business cases preliminary recommendations on narrowing of potential new financing mechanisms,	SFWG and Secretariat SFWG External firm

Date-2016	Activity	Responsible
	mapping of key challenges in LMICs for options for transition countries Second face-to-face meeting of SFWG to discuss eligibility and allocation and preliminary financing mechanisms	SFWG and Secretariat
September	Integration of report and recommendations delivered by Education Financing Commission	SFWG and Secretariat
October	Final SFWG face-to-face meeting to discuss recommendations to the Board	SFWG and Secretariat
November	Board paper and Decisions for Board approval	Secretariat

5. PLEASE CONTACT Charles Tapp (ctapp@globalpartnership.org) or April Golden (agolden@globalpartnership.org) for further information.

6. ANNEXES/ REFERENCE(S) AND GLOSSARY

6.1 The following annexes are included in this paper:

Annex 1 — Glossary

Annex 2 — Members of SFWG

Annex 3 — Lessons Learned from Replenishment paper

ANNEX 1 — Glossary

Eligibility: Determines which countries are able to apply for different types of GPE funding.

ESPIG allocations: The total amount of Education Sector Program Implementation Grant (ESPIG) funding a developing country partner can access, determined by the allocation formula. A maximum amount is designated.

ESPIG funding model: The requirements and approach used to structure the ESPIGs. Under the ESPIG funding model introduced in 2013, a minimum of 70 percent of the ESPIG may be accessed through the normal ESPIG application process, based on a country meeting minimum standards in the areas of data plans and domestic financing. A variable of 30 percent can be accessed based on performance targets in the areas of equity, learning and efficiency.

Financing and Funding Framework: How all of the partnership's funding elements are organized and relate to each other. The framework includes eligibility, allocation, the funding mechanisms (including new mechanisms) and the funding model requirements used for each funding mechanism.

Funding mechanism: The specific windows for delivering GPE funding to developing country partners, or to support specific priorities. Current mechanisms include: Education Sector Plan Development Grants (ESPDGs), GPE Program Development Grants (GPEPDGs), ESPIGs, the Civil Society Education Fund (CSEF), and Global and Regional Activities (GRA). Possible new mechanisms could include a window for Knowledge and Good Practice Exchange, and/or EiEPC.

Funding mechanism allocation methodologies: The total amount of funding countries or other partners (such as civil society, NGOs or knowledge partners) can receive under additional funding windows. Such methodologies can be based on needs, performance or a mix of the two.

Strategic Goals (as defined in GPE 2020):

1. Improved and more equitable student learning outcomes through quality teaching and learning.
2. Increased equity, gender equality and inclusion for all in a full cycle of quality education, targeting the poorest and most marginalized, including by gender, disability, ethnicity and conflict or fragility.
3. Effective and efficient education systems delivering equitable quality educational services for all.

Strategic Objectives (as defined in GPE 2020):

1. Strengthen education sector planning and policy implementation.
2. Support mutual accountability through effective and inclusive sector policy dialogue and monitoring.
3. GPE financing efficiently and effectively supports the implementation of sector plans focused on improved equity, efficiency and learning.
4. Mobilize more and better financing.
5. Build a stronger partnership.

Non-ESPIG country: A country that is not eligible for ESPIGs, but may be eligible for other forms of GPE financing.

ANNEX 2 — Members of the Joint GERF-SPC Strategic Financing Board Working Group

Governance, Ethics, Risk and Finance (GERF) Committee

Charles Aheto-Tsegah, Africa 3

Nesmy Manigat, GERF Chair

Cheikh Mbow, CSO 2

Marja Karjalainen, Donor 5

Phil Johnston, Donor 3

Strategy and Policy Committee

Joseph O'Reilly, SPC Chair

Dennis Sinyolo, CSO 3

Luis Benveniste, World Bank

Sue Graves, Donor 6

Suezan Lee, Donor 6

Additional Members

Tony Baker, CSO 1

Valerie Liechti, Donor 1

ANNEX 3 — Lessons Learned from 2014 Replenishment

The 2014 GPE Replenishment Conference was an important moment, gathering over 800 representatives from across the partnership's constituencies. Partners were given a platform to articulate financial and policy pledges to advance the work of the partnership. A total of US$2.1 billion was pledged for the GPE Fund from donors, and impressive commitments to increase domestic education budgets were pledged by Developing Country Partners. Both represent an increase from support pledged during the 2011 Replenishment Conference, although the pledges from donors failed to reach the US$3.5 billion target set by the Board.

On the other hand, the challenging global financial climate, and acknowledgement by the Board of real constraints of the partnership's ability to raise resources under current funding structures, renders a critical analysis of the 2014 replenishment campaign and conference essential for a successful next replenishment. Recommendations regarding scope, associated targets, timing, and eligibility and allocation criteria for funding will be presented to the Board initially in June 2016.
This paper is not meant to generate a discussion on what the next replenishment will look like, but rather outlines the lessons learned from the previous GPE cycle and benchmarks against comparable organizations' replenishments.

The Strategic Financing Working Group was presented an earlier version of this paper, and its members asked to consult with their respective constituencies to provide feedback. The response was extensive, with many members requesting deeper analysis and additional components to be included in the document. While the purpose of this paper is to present a high-level assessment of some of the key lessons learned from the 2014 replenishment, the Working Group and Board committees may want to consider requesting that the Secretariat conduct a deeper, more thorough analysis in advance of the next replenishment campaign, as there seems to be a desire for this type of information.

CASE FOR INVESTMENT

Compelling argument for GPE: Creating a narrative for why investments should be made in the partnership is a critical piece of the business case, as it gives partners a clear understanding of both how the organization has successfully utilized available resources and how it intends to progress. The partnership struggled to create a convincing narrative, and this challenge constituted some of the key lessons learned. The 2014 GPE replenishment planning process was propelled by the realization that the partnership struggled to demonstrate added value, resulting in the promise of a new funding model that would allow the partnership to have a more effective and performance-based impact on improving education systems. However, some argued this effort was "too little, too late," and lack of

clarity around the operating model — as well as limited empirical evidence of the partnership's impact and Theory of Change — made it difficult to establish a compelling and credible narrative for investment in the future of the organization. The quality of the case for investment was not strongly founded in the strategic plan or results framework, which we now have. An additional lesson learned was the need for a strong foundation as well as robust and proven financing and operational frameworks, which the new strategic plan and results framework help to provide.

Reporting on results of the partnership: Linked to the lesson above, the ability to report on results the partnership has achieved — both since inception and during various replenishment cycles — is important as a foundational piece of the replenishment narrative and investment case. Historically, the partnership has not invested enough in the area of monitoring and evaluation and has found it difficult to adequately report its results to partners, which has been compounded by the lack of a jointly agreed-upon results framework. This has been addressed recently through the development of the 2016–2020 Strategic Plan and Results Framework, which, coupled with a sound M&E strategy, will enable the Secretariat to better track key results to demonstrate the effectiveness of the partnership and report on future replenishment targets.

Advocacy, champions and communications: With adequate lead time and sufficient capacity, mobilizing champions, social networks and the media to advocate on behalf of the partnership can push a replenishment campaign to even greater success. For 2014, GPE advocacy outreach prioritized existing networks and traditional donor markets, as Secretariat analysis determined these networks would likely comprise the bulk of support. Efforts were fairly successful in this area, but the focus also proved to be limiting; with more planning time and capacity, the partnership may have been able to target increased advocacy outreach in developing country partners and emerging markets. Civil society played a significant role in advocating for commitments from donor partners and developing country governments alike. Joint engagement through the Global Campaign for Education-led Fund the Future campaign was critical for encouraging donor pledges, as were RESULTS' advocacy report Greater Impact Through Partnership and the Global Poverty Project's global petition to support the partnership. And of course, all of these examples were simply surface manifestations of much larger engagement occurring at the country level.

That said, Secretariat support and coordination with civil society advocates could have been much stronger, with more bandwidth and planning to allow more frequent information sharing and support developing a holistic advocacy strategy incorporating all possible resources available in a given country, particularly in donor countries. Lobbying efforts to donor governments should have

been better coordinated with working-level staff in capital cities. Despite good progress on increasing sectoral and social media exposure, the partnership's ability to secure mainstream media in critical markets was limited to simply the Board Chair's well-known profile and personal pulling power.

REPLENISHMENT PLANNING AND PLEDGES

Timing: For a variety of reasons, there was a very short lead time for planning the 2014 replenishment. It would be better to have more time so that CSOs and other partners could work the replenishment into their planning. A longer lead time would also allow time for early pledges. Civil society in several donor countries decided on their pledge requests before the overall target was set, making requests disconnected from the overall target and weakening advocacy. Earlier lead time for planning would have allowed more time for advocacy and perhaps advance pledging.

Replenishment Host: The replenishment host was the only clear primary donor champion, unlike the 2011 replenishment, which saw a core group of sponsor donors and developing country partners drive lobbying efforts. This can partly be explained by the difficult global economic climate in 2013–2014, whereby many donors were reluctant to be actively lobbying for substantial increases to aid, including the Global Partnership for Education. However, the lack of a results framework and donors' skepticism about the partnership's operational model can also help to explain the lack of multiple champions. That said, the European Commission was an excellent host for the 2014 replenishment with a generous pledge.

Target setting — fundraising: There were two sets of targets produced for the 2014 replenishment. The first was a fundraising target representing the level of funding the partnership intended to raise; this target was agreed upon at US$3.5 billion following an internal analysis conducted by the Secretariat, and representing a calculation based on the resourcing needs of eligible Developing Country Partners plus an extra allocation for moving forward on innovative finance and humanitarian work. In June 2014, partnership donor pledges reached US$2.1 billion (not reflecting the 15 percent cap on the U.K. pledge). This was a larger number compared with the previous replenishment, especially considering the constrained global economic climate both then and now. Ultimately, however, the partnership did not achieve the stated fundraising target, and this combined with the fluctuations in foreign exchange rates (see "Currency fluctuations" below) required the Board to prioritize core funding at the expense of innovative financing and humanitarian work. Some partners considered the high target to have been unrealistic and, in the end, unhelpful, as it gave the impression that the partnership had failed to raise resources, even as total pledge amounts in 2014 were larger than in 2011. Additionally, some partners suggested that

the Board should have had greater supervision over some of the risks associated with financial pledges and potential conditions certain donors attached; this could have helped to reduce future risk.

Target setting — GPE's business case: The second set of targets developed under the 2014 replenishment included a series of results targets for the replenishment cycle, or a list of deliverables that an investment in the GPE Fund was intended to "buy." These targets were developed by the Secretariat in a relatively short period of time to inform the replenishment business case and campaign narrative. The GPE Strategic Plan 2012–2015 didn't have a Results Framework, and replenishment and strategy were running on different time frames. An unintended consequence is that ensuring a comprehensive monitoring of the results has proved difficult to accomplish, though this has been factored into the new Results Framework, which itself will serve as the foundation for future replenishment target-setting exercises.

Currency fluctuations: An unanticipated lesson to be learned lies in the importance of considering future foreign exchange fluctuations. In 2014, replenishment pledges were expressed primarily in individual domestic currencies. The GPE Fund is held in U.S. dollars, which prior to the 2014 replenishment suited the needs of the partnership. However, as the U.S. dollar has strengthened dramatically against other currencies from 2014 onward, the total value of replenishment pledges has declined and the Secretariat has been made to consider ways to shore up contributions, including possible hedges for future.

Reaching new and emerging donors: Organizations comparable to the Global Partnership for Education have been successful in attracting new and emerging donors, as well as from the private sector and philanthropy, to contribute to their replenishment campaigns (see "Benchmarking" below). For the 2014 GPE replenishment, however, there were limited opportunities for these types of donors to engage. This was due in part to the partnership's requirement that financial contributions be limited solely to the single pooled funding mechanism, and also to the inability to seek (indeed, the mandate to avoid) even notionally targeted funding opportunities. The Secretariat learned that donors from emerging markets may have been more likely to invest sooner in the partnership had more diverse funding mechanisms been available. However, the December 2015 Board decision to explore opportunities for strategic and innovating financing will enable the Board to develop a more comprehensive strategy for engaging new and emerging donors as well as the private sector and philanthropy, helping to mitigate this challenge going forward.

Developing Country Partner pledges: One of the clearest but most unexpected measures of success from the 2014 replenishment was the magnitude of financial pledges made by Developing Country Partners. Had they been anticipated, such pledges might have been better leveraged to increase donor contributions. Additionally, DCP pledges were not vetted by nor linked to the partnership's strong and transparent in-country sector collaboration processes. By linking in advance the pledge process to the country dialogue on domestic financing, there is a huge potential to boost GPE impact on domestic financing and secure more credible pledges. A lesson learned from the unanticipated success in financial pledges made by DCPs is the need to ensure greater consistency in how pledges are formulated and how as a partnership we will define success in this area. Another lesson is the vital role DCP pledges play in underlining the importance of partnership and mutual accountability.

Replenishment event: The objectives of the 2014 replenishment event were to host a pledging and fundraising opportunity combined with a true partnership meeting, with all constituencies actively participating both in making financial and policy commitments to GPE around the pledging table, as well as in parallel side events. More than 800 individuals attended the event and reflected the inclusive nature of the partnership, with pledges made from all constituencies and key discussions on critical elements of the 2012-2015 Strategic Plan priorities undertaken. Thus, the two broad objectives of the event were met. Partners have for the most part considered the broad nature of the event to have been positive; however, the partnership has struggled to monitor particularly the policy pledges made by partners, as there was limited capacity and a lack of methodological clarity in doing so. In terms of the event timing, later in the calendar year has historically better suited the majority of donors to make pledges or commitments (according to domestic fiscal calendars) compared to the middle of the calendar year.

BENCHMARKING: WHAT DO OTHER REPLENISHMENTS LOOK LIKE?

Global Fund to Fight AIDS, TB and Malaria:

The Global Fund operates on a three-year replenishment cycle. For the 2014–2016 replenishment, it fell short of its target, raising US$12 billion. The target for the next replenishment cycle (2017–2019) is US$13 billion. To leverage the maximum amount of pledges, the Fund was able to use a number of global champions and celebrities who advocated for funding from a variety of sources. The Global Fund receives the majority of its financing from public sources; only 5 percent is derived from the private sector or philanthropy, or through innovative funding mechanisms. Finally, the Global Fund uses a small series of events to harness political and public momentum, with

preparatory meetings held the year before the partnership pledging meeting (which will be held next in 2016).

GAVI:

GAVI operates on a five-year replenishment cycle (current cycle is 2016–2020). At the last replenishment event, held in January 2015, GAVI had a target of US$7.5 billion, which it exceeded, reaching US$7.539 billion. This added to US$2 billion already available for the 2016–2020 period (including US$1.2 billion through IFFIm), ensuring a five-year US$9.5 billion program was fully funded. GAVI uses donor and celebrity champions to leverage funding from a variety of sources. In the past it has raised significant sums through innovative financing, in particular the International Financing Facility for Immunization, which leverages very long-term sovereign donor pledges to raise funds through bond issuances; 69 percent of pledges in 2015 came from public sources with The Gates Foundation, making up the lion's share of private funds. GAVI launched its replenishment campaign in May 2014. Its success was in large part attributed to the commitment of a small group of donor champions, led by the host government, Germany.

Global Environmental Facility:

GEF operates on a five-year replenishment cycle (current cycle is 2014–2018). The most recent replenishment was concluded in 2014, during which US$4.43 billion was raised. GEF holds a series of negotiating sessions, as well as an initial planning meeting, to discuss and agree on a set of policy reforms, guidance for resource programming, and levels of resources provided to partner countries during the course of the replenishment period. Additionally, participants in these meetings review "Overall Performance Studies," or independent evaluations of the operations of GEF during the previous replenishment period, in order to inform planning for the next period.