CONTRIBUTIONS AND SAFEGUARDS POLICY: RECOMMENDATIONS FROM THE STRATEGIC FINANCING WORKING GROUP

For Decision

Rev. 1 – This paper has been revised to reflect revisions to the safeguards in the Contributions and Safeguards Policy in Annex 1 as agreed by the Board during its meeting on March 1, 2017. Revisions are marked in red text.

1. STRATEGIC PURPOSE

1.1 The purpose of this paper is to update the Board on the work of the Strategic Financing Working Group (SFWG) in developing a Contributions and Safeguards Policy (CSP) in support of GPE's new Financing and Funding Framework, and to seek the Board's endorsement of the Contributions and Safeguard Policy recommended to the Board by the SFWG, as set out in Annex 1.

2. EXECUTIVE SUMMARY

2.1 The SFWG believes that GPE will need to adapt its approach to targeted contributions to achieve the level of funding ambition that GPE 2020 and the Financing and Funding Framework calls for, whilst maintaining the core integrity of the GPE Fund as a pooled multi-donor fund.

2.2 Given the importance of developing a consolidated view among members of the Partnership on the balance between tighter restrictions on targeted financial contributions and a more permissive approach which would increase the ability to raise additional financial contributions, the GPE Secretariat administered a Partnership-wide consultation on the options for the Contributions and Safeguards Policy. This was carried out under the guidance of the SFWG, and comprised of a detailed consultation survey undertaken in October/November 2016 which received 41 responses representing 108 organizations and local partners, and English, French and Spanish webinar consultation calls in January 2017. The full results of the survey were presented to the Board of Directors at their meeting on November 30-December 2, 2016 in Siem Reap, Cambodia, and a summary of the consultation results is attached as Annex 3.

2.3 In addition to the consultation process, the consultancy firm Dalberg presented the Strategic Finance Working Group with detailed analysis of the contributions and safeguards

policies currently adopted by other multilateral partnerships[1]. The Global Fund to Fight AIDS, Tuberculosis and Malaria and the Global Alliance for Vaccines and Immunization also shared further details on their approaches to targeted financing with the SFWG in September 2016, noting the importance of developing a well-defined approach to targeted contributions so as to mitigate against the risks arising from accepting such contributions.

2.4 Based on detailed consideration of Partnership feedback from the consultation process and lessons learned from approaches taken by other multilateral partnerships, and in seeking to balance the advantages and risks arising from targeted contributions, the SFWG recommends the Contributions and Safeguards Policy set out in Annex 1. This recommends that targeted contributions be permitted by all contributors to pre-approved Reinforcing Mechanisms and their thematic areas. It also recommends that targeted contributions from all contributors be permitted to GPE's core country allocations but only where they are notionally allocated for reporting purposes to existing or planned Board approved allocations and do not impact on the size of an allocation or the decision by the Board to approve an allocation. This is current GPE practice. The Contributions and Safeguards Policy recommended by the SFWG strictly prevents any other form of targeting, including targeting to one or more countries, in a manner that results in an increase in a country allocation or the decision by the Board to provide that country with an allocation. The recommended CSP also details the Safeguards developed by the SFWG to mitigate against the three primary categories of risk that arise from any targeting financing: i) mission/partnership distortion, ii) financing substitution and, iii) administrative burden.

3 RECOMMENDED DECISIONS

BOD/2017/03-XX–<u>Contributions and Safeguards Policy</u>: The Board of Directors:

1. Endorses the proposed Contributions and Safeguards Policy as outlined in Annex 1 to BOD/2017/03 DOC 05.
2. Requests the Secretariat to develop a list of themes and thematic areas, for which targeted funding would be accepted, for approval by the Strategy and Impact Committee and the Finance and Risk Committee. This list should be informed by GPE 2020 and the thematic areas to be included in the Knowledge and Innovation Exchange strategy and previously identified in the KGPE strategy.

4 BACKGROUND

4.1 At its June 2016 Board meeting, the Board of Directors endorsed the proposed approach in **BOD 2016/06 DOC 15** to "*the design of an ambitious Financing and Funding Framework that includes a broader mix of funding mechanisms to help enable a more differentiated*

[1] The Global Fund to Fights AIDS, Tuberculosis and Malaria (GFATM), The Global Alliance for Vaccines and Immunizations (GAVI), UNICEF, the CGIAR Fund and the Water Supply and Sanitation Collaborative Council (WSSC).

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". This approach included the development of a GPE specific Contributions and Safeguards Policy to outline the circumstances under which targeted contributions will be allowed, in order to maximize the opportunities for raising additional resources in an increasingly differentiated donor environment for education.

4.2 At the June 2016 Board meeting, the Board of Directors also approved the procedures and safeguards proposed for accepting targeted financing for Knowledge and Good Practice Exchange (KGPE) initiatives from foundations and other donors on an interim basis for the period July 2016-December 2017, as set out in **Annex 1 to BOD/2016/06 DOC 16**, recognizing that these safeguards would be replaced by a comprehensive safeguards policy developed as part of GPE's overall new Financing and Funding Framework.

4.3 It is in light of these two decisions that this paper details the approach taken by the SFWG in developing a Contributions and Safeguards Policy. In doing so, the recommended CSP also seeks to contribute to the Partnership's response to conclusions in the 'Independent Interim Evaluation of the Global Partnership for Education 2010-2014' which noted that GPE's ability to mobilize new external resources had been constrained by the overall decline in aid to basic education since 2009 and a mismatch between the Partnership's ambition and limited financial resources[2].

Existing Contributions and Safeguards

4.4 In general, donor contributions to multilateral partnerships and financing facilities such as GPE are provided in three ways, notably:

- *Unrestricted contributions* with monies from different donors pooled together and used to fund any of the institution's funding priorities.
- *Notional allocations*, where monies from a donor are assigned to fund particular institutional priorities, such as to specific financing or funding modalities, themes or to geographic areas, but which remain pooled together with other donor contributions. This is also known as soft targeting.
- *Hard targeting*, where monies from a donor are assigned to fund particular institutional priorities, such as to specific financing or funding modalities, themes or to geographic areas, and which are completely separated from contributions allocated to other activities.

[2] Independent Interim Evaluation of the Global Partnership for Education, 2010-2014, conclusions 5 and 6; Results For Development and Universalia, http://www.globalpartnership.org/content/independent-interim-evaluation-gpe-2010-2014

4.5 At present donor financing is provided to GPE in the first two of these ways, either as (1) unrestricted contributions to GPE's existing programs or as (2) notional allocations. No hard targeting by donors of their financing to GPE currently occurs.

Partnership Perspectives

4.6 The Partnership-wide consultation found a consensus that further thematically targeted contributions could be appropriate under certain circumstances to raise financing for 'support to reinforce systems investments', and in support of engagement in line with GPE's overall mission. Applying this approach to the Financing and Funding Framework, this would indicate support for targeted financing for the Knowledge and Innovation and Advocacy and Social Accountability Reinforcing Mechanisms, including to thematic areas within them, and potentially to particular themes/thematic areas within GPE's funding allocation model on a notional reporting basis, whereby the financing provided has no impact on the decisions of GPE Board on which countries are eligible for grants, nor the size of an allocation. The consultation also found limited support for hard geographic targeting / earmarking.

4.7 However, this was accompanied by the equally strong recognition that all targeted contributions need to be subject to strong safeguards to mitigate against the risks of mission/partnership distortion, financing substitution and administrative burden that could arise from accepting further targeted financing. The consultation results also showed a recognition among Partnership members of the need to differentiate between types of contributor to GPE when considering the extent to which they should be allowed to provide targeted financing. Specifically, the consultation pointed to a desire to differentiate between sovereign (bilateral) donors and Philanthropic Foundations in this regard. The consultation also demonstrated strong support from respondents for targeted financing to only be accepted by GPE on a notional allocation basis into the GPE Fund and not through the creation of any new accounts, or of sub-accounts or windows within the existing GPE Fund. This type of soft targeting is currently the approach taken for accepting targeted contributions for Knowledge and Good Practice Exchange (KGPE) initiatives and within the core GPE allocation on a geographic basis.

4.8 In support of the development of the Partnership's new Financing and Funding Framework, the consultancy firm Dalberg also assessed the lessons for GPE from other multilateral partnership and financing facilities' approaches to targeted financing, noting that:

- In the absence of dedicated policies and safeguards –and/or well-defined targeted financing mechanisms – the pool of unrestricted GPE funds could potentially decrease if donors have the option to earmark

- A lack of unrestricted funds could threaten GPE's ability to deliver on GPE 2020 according to its Theory of Change (e.g. emphasis on country ownership, systems strengthening)
- It may be possible to maintain an unrestricted pool of funds while offering highly-targeted options – but options must be carefully designed
- Targeted financing options could be designed to appeal to new segments of donors in order to mobilize untapped resources – rather than reallocating contributions from current donors
- The number of targeted financing options should be minimized in order to minimize transaction costs; each option should be designed so as to ensure that financing unlocked considerably outweighs transaction costs
- To ensure sufficient unrestricted contributions, targeted financing does not need to be actively marketed to donors in the same way as unrestricted contributions

Advantages of Targeted Contributions

4.9 The principal advantage of allowing targeted contributions in support of GPE's Financing and Funding Framework is the potential to raise increased financing in support of GPE 2020, and to attract new members into the Partnership, who commit to support GPE's system strengthening approach, and adhere to the GPE Charter.

Risks from Targeted Contributions

4.10 Assessment by the GPE Secretariat and Dalberg, reinforced by input from the Partnership wide consultation, identified three categories of risk posed by opening up a wider range of Financing and Funding Framework components to targeted contributions: (1) mission/partnership distortion, (2) financing substitution, and (3) administrative burden. All of these risks exist to some degree, irrespective of whether all or only a sub-set of Financing and Funding Framework components are opened up to targeted contributions. However, the risks increase with the number of components opened up to targeted contributions. Table 1 elaborates these risks in more detail. The recommended safeguards seek to mitigate them in all cases.

Table 1: Risks of Increased Targeted Financing to GPE

Risk	***Outcomes to mitigate***
Mission/ Partnership Distortion	• Contributions received which do not align with GPE 2020 and the GPE Charter • Targeting leads to a reduction in the proportion of overall GPE funding available for

	education systems strengthening in the poorest countries. • Geographic and/or thematic mismatch between financing received for education system development and strengthening and monies needed for GPE's funding allocation model. • Thematic targeting undermines evidence-based and needs-based approach to country level support. • One or more contributors has undue influence on the Secretariat, Trustee, Grant Agents and Implementers. • Targeting undermines or distorts GPE's collective decision making processes and collective ownership of programs/activities. • Fragmentation of aid to the Global Partnership, with GPE's strength as a pooled fund undermined.
Financing Substitution	• No overall increase in financing to GPE as donors stop providing unrestricted financing to GPE, and only provide targeted contributions. • Mismatch between financing offers received for particular components of GPE's Financing and Funding, and GPE funding requirements.
Administration Costs	• Disproportionate administration and transaction costs for GPE Developing Country Partners, Secretariat and/or Grant Agents from managing targeted contributions lead to negative cost/benefit outcome. • Insufficient capacity at GPE Secretariat to effectively administer a Contributions and Safeguards Policy and/or administering targeted contributions negatively impacts Secretariat ability to deliver across the whole of GPE 2020.

Differentiation by type of Donor

4.11 As discussed in **BOD/2015/12 DOC 10** on **Strategic Financing**, Foundations supporting education have typically financed specific thematic areas or initiatives. As demonstrated by GPE's experience to-date with KGPE initiatives, permitting Foundations to finance to some or all of the Reinforcing mechanisms within the new Financing and Funding Framework i.e. to Knowledge Exchange and Innovation, and Advocacy and Social Accountability, without the requirement for an unrestricted co-financing contribution to the GPE Fund, would increase the overall resources available to support GPE 2020.

5. PROCEDURAL REQUIREMENTS

Financial management of targeted contributions

5.1 The Trustee has noted that under a multi-donor trust fund such as the GPE Fund, the preference should always be for unrestricted financing, and that if targeted financing is to be considered, there are a number of important considerations. Targeted financing can reduce the flexibility in terms of how funds are deployed. At the same time, it can increase the administrative burden and transaction costs, while complicating financial planning, especially if there are a high number of contributions that are subject to targeting and depending on their size and complexity. Such considerations apply to all forms of targeting, but are most significant for hard targeting.

5.2 The Partnership-wide consultation also found a significant majority (77%) of respondents firmly in favor of maintaining the current structure of a single multi-donor Trust Fund, with targeting undertaken on a notional allocation or 'soft targeting' basis only, mirroring the approach currently taken for receiving targeted contributions for KGPE initiatives and geographic targeting for ESPIGs. This is the approach recommended by the SFWG to the Board of Directors, as part of the safeguards although it is important to note that under a notional allocation approach to targeting, since donor funds remain pooled together (also known as comingled), separate financial reporting from the Trustee for each contributor cannot be produced.

Governance

5.3 In order to ensure quality control over targeted contributions, the safeguards propose that all targeted financing offers received by GPE first be assessed by GPE Secretariat for compatibility with GPE 2020, the GPE Charter and the full Contributions and Safeguards Policy using a standard assessment template, to be put to GPE Chief Executive Officer for authorization or rejection. The standard assessment template would be developed following decision by the Board of Directors on the overall Contributions and Safeguards Policy, and would be put to the FRC for approval. In all cases where the Secretariat assessment and/or CEO judges the outcome as

unclear, the targeted financing proposal must be reviewed by the FRC for decision. In addition, the FRC would review all decisions on targeted financing on an annual basis and undertake a full review of the Contributions and Safeguards Policy every two years, reporting to the Board of Directors.

Secretariat Capacity

5.4 Subject to approval by the Board of Directors, there will be some implications for Secretariat capacity in seeking and managing targeted contributions in line with the Contributions and Safeguards Policy. Annex 2 of the Financing and Funding Framework Board paper BOD/2017/03 DOC 03 on overall Secretariat capacity considers this issue in detail. Specific safeguards have been designed to minimize administrative burden, and to ensure the management and monitoring of targeted contributions to do not detract Secretariat resources from implementing GPE 2020. Furthermore, detailed strategies for enhancing GPE's engagement with the Private Sector and Foundations respectively will be put to the Board of Directors for consideration in December 2017.

6. OPTIONS CONSIDERED BY THE SFWG

6.1 The SFWG considered three options for contributions to the GPE Fund. Under all scenarios the targeting would be on a notional allocation basis, and subjected to agreed safeguards. Under all scenarios Board or authorizing committee preapproval of the program of work is also required before any targeted financing for particular theme/thematic areas can be received in support of the GPE allocation model, and to Reinforcing Mechanisms, or themes within then, outside of the allocation model, i.e. within the Knowledge and Innovation, and Advocacy and Social Accountability mechanisms in the FFF. Option 3 is the approach recommended to the Board of Directors by the SFWG.

- **Option 1**: No targeted contributions to GPE's core allocations. Targeted contributions permitted by all contributors to pre-approved Reinforcing Mechanisms and their thematic areas.
- **Option 2**: Targeted contributions permitted to GPE's core allocations by Foundations to areas of work/themes pre-approved by the Board of Directors and by sovereign (bilateral) donors geographically, on a reporting basis to existing or planned Board approved allocations only. Targeted contributions permitted by all contributors to pre-approved Reinforcing Mechanisms and their thematic areas.
- **Option 3**: Targeted contributions permitted to GPE's core allocations by all contributors to areas of work/themes pre-approved by the Board of Directors and geographically, on a reporting basis to existing or planned Board approved allocations only. Targeted

contributions permitted by all contributors to pre-approved Reinforcing Mechanisms and their thematic areas.

6.2 Option 1 provides for the most restrictive approach, with targeting permitted only to pre-designated Reinforcing Mechanisms outside of GPE's funding allocation model. This would therefore prevent the status quo of financing being provided by sovereign (bilateral) donors on a notional reporting basis to particular countries/regions within the core allocation model. As noted in paragraph 3.5, this is where a contributor provides financing in support of particular countries within GPE's existing funding model to facilitate their own reporting requirements, but whereby the financing provided gets co-mingled with all other contributions and has no impact on the decisions of GPE Board on which countries are eligible for grants, nor the size of an allocation. Option 1 would require exceptions to the Contributions and Safeguards Policy to permit the continuation of such an alignment exercise on an individual contributor basis, and which would need to be put forward to the Board of Directors for approval. Option 1 would also strictly prevent any thematic targeting in support of GPE's allocation model. Option 2 serves as an intermediate option, allowing a greater degree of targeting by Foundations than sovereign donors. Option 3, as recommended by the SFWG, would enable the opening up of the full Financing and Funding Framework to targeted contributions from all contributors on a notional allocation basis, subject to the safeguards agreed.

6.3 The SFWG considers Option 3 to be the optimal choice to ensure the greatest chance of success for the Financing and Funding Framework. It captures current practice, provides some room for new financing actors, while strongly protecting the integrity of the Board and its policy and decision making roles. In the view of SFWG the other options will reduce resource availability with no additional reduction of risk.

6.4 Annex 1 to this paper spells out in full the Contributions and Safeguards Policy based on Option 3 and is before the Board for approval.

7. PLEASE CONTACT Padraig Power (ppower@globalpartnership.org) for further information.

8. ANNEXES

8.1 This paper includes the following annexes:

Annex 1 – Recommended Contributions and Safeguards Policy

Annex 2 – Extract from Annex 1 to bod/2016/06 doc 16 - Interim Guidelines, Safeguards and Procedural Considerations for KGPE Targeted Financing

Annex 3 – Contributions and Safeguards Policy Consultation Results

ANNEX 1 – RECOMMENDED CONTRIBUTIONS AND SAFEGUARDS POLICY

CONTRIBUTIONS AND SAFEGUARDS POLICY
THE GLOBAL PARTNERSHIP FOR EDUCATION
MARCH 2017

1. Purpose

The purpose of this Policy is to govern the circumstances under which any financial contributions will be permitted to the Global Partnership for Education (GPE) Fund in order to maximize the opportunities for raising additional resources in an increasingly differentiated financing environment for education. The Policy reinforces the goals and ambition of the partnership's strategic plan, GPE 2020. Within this context the Policy also seeks to minimize the risks of mission and partnership distortion, financing substitution, and disproportionate administration and transaction costs.

The Policy allows for the full and effective financing of GPE's Financing and Funding Framework as approved by the GPE Board of Directors on March 1, 2017 and amended from time to time. It is also governed by the GPE Charter

2. Definitions

The following definitions shall apply to this Policy:

- **Allocations**: The amount of resources an end recipient (e.g., country) receives from each funding mechanism.
- **Contributions**: Resources mobilized in support of GPE activities; analogous to "financing".
- **Contributor**: any organization or entity eligible to contribute financing to GPE, as authorized by the Trustee; analogous to "donor"
- **Donor**: any organization or entity eligible to contribute financing to GPE, as authorized by the Trustee; analogous to "contributor"
- **Financing**: Resources mobilized in support of GPE activities. Financing refers to money in; analogous to "contributions".
- **Funding**: Resources deployed by GPE funding platform to support country and global-level activities in support of GPE 2020. Funding refers to money out.
- **Funding Mechanism:** Means through which funding is made available to support country and global-level activities in support of GPE 2020.
- **GPE Fund**: Account at the GPE Trustee into which contributions to GPE are paid in, and funding for GPE activities is paid out.

- **Initiative**: Individual process or activity under a theme/thematic area.
- **Notional Allocation**: Where financing from a donor is assigned to fund particular GPE priorities, such as to specific funding mechanisms, themes or countries, but which remained pooled together with other donor contributions; analogous to 'notional targeting' or 'soft targeting'.
- **Reinforcing Mechanisms:** Funding mechanisms whose purpose is to reinforce GPE's support to education systems' strengthening, for example the Knowledge and Innovation Exchange and Advocacy and Social Accountability mechanisms
- **Safeguards**: Measures to protect GPE against the risks of receiving targeted contributions.
- **Sovereign (bilateral) donor**: A country or group of countries contributing to GPE.
- **Standard Contribution Agreement**: Universal agreement entered into by a contributor with the GPE Trustee, governing the terms and conditions on which contributions to the GPE Fund will be made.
- **Targeted Contributions**: Resources mobilized toward the GPE funding platform that are designated for specific end use(s); analogous to "targeted financing".
- **Themes/Thematic Areas**: Broad topic or area of work within a GPE Funding mechanism.

3. Policy

Contributions to the Global Partnership for Education Fund may be made in the following three ways, subject to meeting the requirements of the Safeguards contained in Section 4 of this policy document:

3.1 Unrestricted Contributions to the GPE Fund

Example – A donor signs a standard contribution agreement and contributes an amount into the GPE Fund where it is co-mingled with other resources and is available to fund any eligible expense the Board determines is appropriate

3.2 Contributions to the GPE Fund that are notionally allocated for reporting purposes to existing or planned Board approved allocations and do not impact on the size of an allocation or the decision by the Board to approve an allocation

Example – A donor has restrictions that its funds must be in support of a certain region. To facilitate the donor's internal requirements and allow them to contribute to the GPE Fund using the same standard contribution as other donors, GPE agrees that it can receive these funds and can report to the donor that the value of planned allocations to that region would meet or exceed the value of the donor contribution. The contribution is received in

the same way as any other donor contribution and has no impact on the size of an allocation or decision by the Board to approve an allocation. The same might apply to a notional contribution to the Leverage Fund.

3.3 **Contributions to the GPE Fund that are targeted for Reinforcing Mechanisms (including their thematic areas) on a notional allocation basis but where the contribution directly impacts the size of an allocation or the decision by the Board to approve an allocation.**

Example – A donor provides a contribution to the GPE Fund in support of an approved knowledge and innovation exchange thematic area on learning. The donor signs the same contribution agreement as all other donors, however as a result of providing the contribution, the Board agrees to allocate the same level of resources to fund the thematic area on learning. The contribution has the direct effect of increasing an allocation for the thematic area and potentially the decision by the Board to proceed with initiatives.

The following forms of contribution are not permissible under the policy, unless so agreed by a formal, Board decision:

3.4 **A donor may not target its contribution to an individual country in a manner which results in an increase in a country allocation or the decision by the Board to provide that country with an allocation**

Example 1 – The Board plans to provide an allocation of US$20 million to country X. A donor wishes to contribute a further US$10 million to the GPE Fund on the understanding that Country X's allocation will be increased by US$10 million to US$30 million. This is not permissible.

Example 2 – A donor wishes to provide a contribution of US$50 million to the GPE Fund provided the GPE Board agrees to provide an allocation to Country A which is an upper middle income country and is not eligible for GPE Funding. This is not permissible.

3.5 **A donor may not contribute to GPE through a separate Trust Fund from the GPE Fund**

Example – A donor wishes to provide US$5 million to GPE but requires separate accounting and reporting, and is not able to co-mingle its funds with other donors. The donor requests the creation of a separate trust fund from the GPE Fund. This is not permissible

3.6 **A donor may not contribute to a Reinforcing Mechanism at the initiative level**

Example – It's determined that a thematic area under Knowledge and Innovation Exchange will be for *Teaching and Learning (teacher development, learning materials)*. Two initiatives might be envisaged under this thematic area, one on developing *online training for teachers*, and a second initiative focused on *improving quality of learning materials*. A donor may not target for one or the other initiative, but may target at the broader thematic area of *Teaching and Learning*.

3.7 **A donor may not target its contribution both thematically and geographically below the regional level to GPE funding under the country allocation model**

Example A – A donor wishes to make a US$5 million contribution to GPE that will be notionally allocated towards a learning component of a GPE grant in Country X. This is not permitted as it is both thematic and geographic targeting combined.

Example B – A donor wishes to make a US$5 million contribution to GPE that will be notionally allocated towards learning components in GPE's grant portfolio in the Asia-Pacific region. This is permitted as while both thematic and geographically targeted, the geographic targeting is restricted to the regional level and not an individual country.

Safeguards

The following Safeguards shall apply to all contributions to the Global Partnership for Education Fund and address the specific risks of mission/partnership distortion, financial substitution and administrative burden:

Safeguard 1: All targeted financing offers must be assessed by GPE Secretariat for compatibility with GPE 2020, GPE Charter and GPE Contributions and Safeguards Policy, and put to GPE Chief Executive Officer for authorization. Where Secretariat assessment or the CEO judges a case as unclear or there is a risk of substitution, mission distortion or undue influence, any targeted financing proposal will be put to the Finance and Risk Committee (FRC) for decision. FRC will review and report on decisions on targeted funding to the Board of Directors on an annual basis with particular attention to the effectiveness of the safeguards in mitigating risk. The FRC will additionally undertake a full review of the Contributions and Safeguards Policy on a bi-annual basis.

Safeguard 2: All contributors must formally disclose any conflicts of interest and where relevant, indicate their formal agreement to GPE's Corporate Engagement Principles ~~Guidelines~~.

Safeguard 3: No contributions will be accepted for countries not eligible for GPE funding under the GPE allocation model, and any contributions that are notionally allocated on a geographic

basis must not exceed the value of existing or planned allocations ~~or for any funding mechanisms outside of the GPE allocation model not preapproved as eligible for targeted contributions by the GPE Board of Directors~~.

Safeguard 4: Any contributions that are notionally allocated on a thematic basis under the GPE allocation model must not exceed the value of components for that thematic area in GPE's existing approved grants. No contribution amount can be both thematically and geographically targeted below the regional level.

Safeguard 5: No contributions will be accepted for any funding mechanisms outside of the GPE allocation model not preapproved as eligible for targeted contributions by the GPE Board of Directors

Safeguard ~~6~~4: No funding mechanism can be solely financed from targeted financing by a single contributor and should always be partly financed from unrestricted resources to ensure all GPE donors have a financial stake and ownership.

Safeguard ~~7~~5: All bilateral (sovereign) donors will have the total of their targeted contributions to Reinforcing Mechanisms for each financing period capped at the higher of either 25% of their total contributions to GPE or $25 million to prevent financing substitution.

Safeguard ~~8~~6: No contributor can require separate technical or financial reporting beyond routine reports provided by the Secretariat or information normally provided to satisfy routine contributor queries.

Safeguard ~~9~~7: Individual targeted contributions to Reinforcing mechanisms and their thematic areas are to be subject to minimum threshold amounts specified in the formal design of such mechanisms as approved by the GPE Board.

Safeguard ~~10~~8: Targeted contributions shall include sufficient financing to cover any additional administrative costs arising from the targeting.

Safeguard ~~11~~9: All contributors will sign GPE's standard contribution agreement used for the GPE Fund, irrespective of whether contributions are targeted or not.

ANNEX 2 – EXTRACT FROM ANNEX 1 TO BOD/2016/06 DOC 16 - INTERIM GUIDELINES, SAFEGUARDS AND PROCEDURAL CONSIDERATIONS FOR KGPE TARGETED FINANCING

BOD/2015/12-15–Addressing the Funding Gap in the Current Replenishment Period.
1. Alignment with the strategic plan and GPE charter.
2. Delivery in such a way that no undue transaction costs are implied.
3. Delivery in such way that the funder has no undue influence on the Secretariat, Trustee, Grant Agents, and Implementers.
4. Targeted funds shall not be in place of unrestricted financing contributions to the GPE fund.
Procedural Requirements **BOD/2015/12-15–Addressing the Funding Gap in the Current Replenishment Period.**
5. Targeted funding areas for Knowledge and Good Practice Areas can be pre-designated as eligible by the Board.
6. Funding offers must be reviewed by the GERF.
7. Funding offers must be approved by the Board.
8. Targeted funding that requires the opening of a separate Trust Fund from the GPE Fund will be subject to prior approval by the GERF in consultation with the Trustee.
Additional Guidelines and Safeguards Proposed During Stage 1
9. Targeted Financing from existing bilateral (sovereign) donors for Knowledge and Good Practice Exchange initiatives shall be limited to no more than 5% of their total contribution to the GPE fund over the 2015-2018 replenishment period, and funding must be additional to any existing unconditional pledge.
10. Financing from new sovereign donors to GPE will not be subject to this ceiling in Stage 1 provided the total contribution is less than $10 million. For amounts in excess of this, there must be at an equivalent unrestricted contribution to the GPE Fund.
11. Targeted Financing from Private Foundations will not be subject to any ceilings or co-financing requirements in Stage 1.

12. Targeted Funding shall be facilitated through a notional allocation approach where the total value of contributions made to the GPE Fund will be notionally matched to the value of allocations for KGPE activities. Only in exceptional circumstances will consideration be given to opening a separate Trust Fund and this will be subject to Guideline 8 above.
13. Where more than one funder contributes to an initiative, all funders will agree to a harmonized reporting arrangement.
14. All Funders formally disclose any conflicts of interest and (where relevant) indicate their formal agreement to GPE's Corporate Guidelines.9
15. Targeted financing contributions shall include sufficient funding to allow for appropriate management and monitoring of all proposed activities.

ANNEX 3 – CONTRIBUTIONS AND SAFEGUARDS POLICY CONSULTATION RESULTS

1. Background

As set out in the Update from the Strategic Financing Working Group for the June 2016 Board Meeting (BOD/2016/06 DOC 15), the SFWG agreed to seek out the partnership's views on targeted financing through a partnership-wide consultation. The consultation process, facilitated by the Contributions and Safeguards Policy (CSP) Sub-Group and comprised of members of the SFWG, was set up to drive the process in parallel with the Financing and Funding Framework work stream.

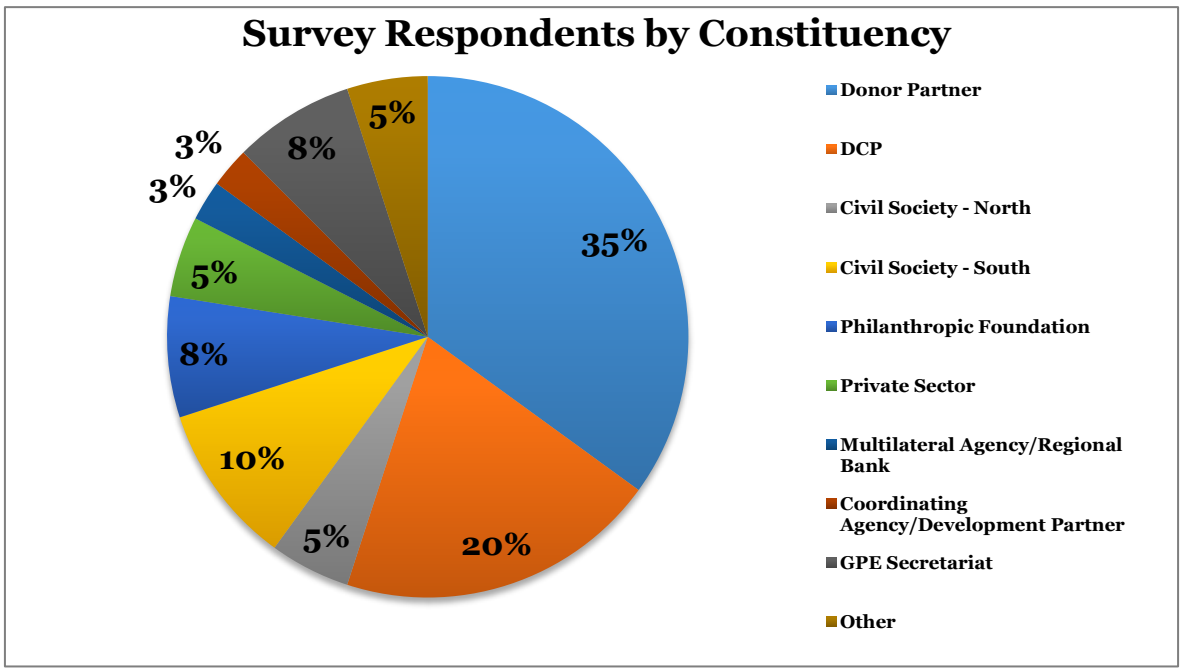
The CSP sub-group developed a Framing Note which laid out the principles, risks and safeguards that would be included in the policy. The Framing Note also served as the main tool for the consultation process. The consultation was conducted between October 2016 and January 2017.

2. Consultation Process

With guidance and support from the CSP sub-group and the Secretariat, consultations were conducted through an online survey and three language-based webinars.

a. Online Survey

Based on the issues laid out in the Framing Note, the online survey was open for three weeks in October and November 2016. A total of 41 responses were received, representing 108 organizations and local partners, including LEGs and national education coalitions across all constituency (43% were Board Alternate/Members and 57% were Non-Board Members).



b. Webinars

The webinars were guided by a presentation of the CSP Survey results and offered an opportunity for partners to provide additional feedback on targeted financing and policy options. These webinars were a continuation of discussions at the December 2016 Board Meeting in Cambodia where the survey results were presented. The three webinars held in January 2017 were language-based and conducted in English, French and Spanish. A total of 39 participants joined the webinars across the three languages and participants represented all constituencies (civil society, donor partners, developing country partners, private sector and foundations, and multilateral agencies).

3. Key Findings (Survey)

Feedback from the survey highlighted areas of consensus, further inputs on risks and safeguards to consider as well an endorsement of the principles for targeted financing in the Framing Note.

Risks

Overall, there was strong agreement on the three main risks identified in the Framing Note of Mission/Partnership Distortion, Financing Substitution, and Administrative Burden. Additional risks identified by respondents included:

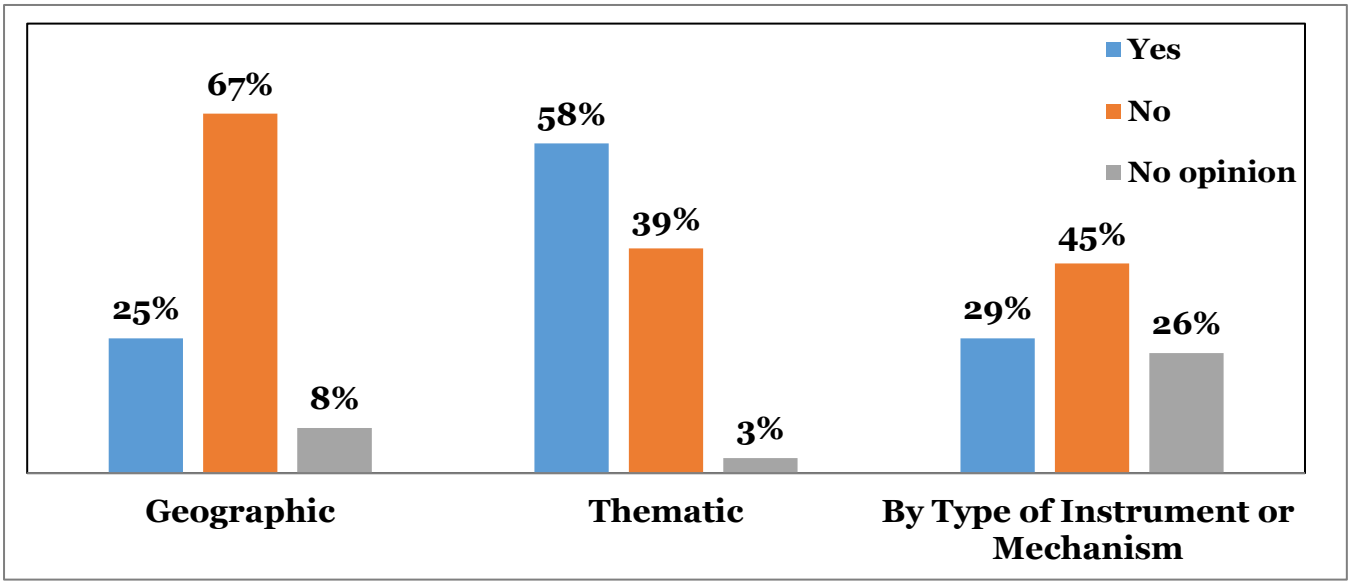
- The need to factor in administrative burden to Secretariat and potential transaction costs for DCPs and Grant Agents at the country level
- The need to ensure that GPE continues to fund low income countries, strengthen risk management and ensure the Safeguards adequately address the identified risks

Safeguards

There was an overwhelming support for the proposed areas of focus for developing safeguards to targeted financing. Additional safeguards proposed included:

- Targeted financing to be capped at an overall % of GPE's budget
- Minimum $ amount for each targeted financing contribution to reduce administrative burden
- Safeguards to mitigate against funds from non-sovereign donors leading to co-financing of already existing activities financed by GPE
- A ceiling for targeted financing for every donor
- Appropriate coordination mechanisms to avoid duplication/fragmentation of interventions with other institutions.

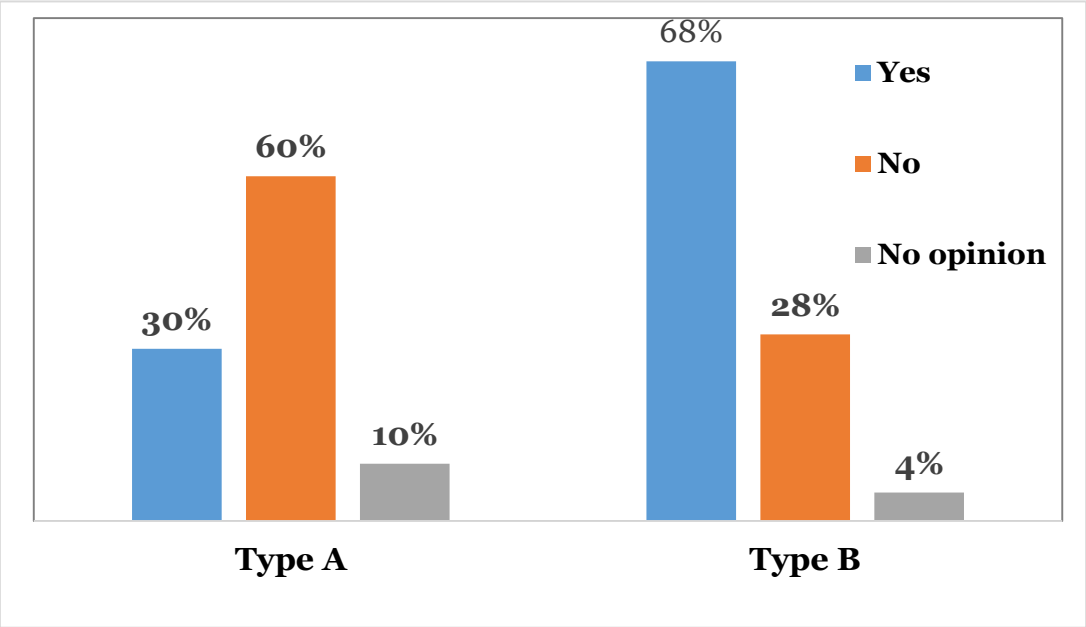
Types of Targeting: Survey Results



On Thematic, Geographic and by Type of Financing Instrument or Funding Mechanism, there was majority support for Thematic targeting, mixed views on targeting by Type of Financing Instrument or Funding Mechanism and overall opposition for Geographic targeting, although with a number of key caveats. In particular, qualitative feedback received throughout the survey demonstrated a recognition that geographic targeting could be considered within a country context, and to help GPE deliver on its core business and outcomes in the Results Framework. Although limitations in the survey software meant that respondents could not answer yes or no to all three options, a number respondents provided written feedback that all three options should be open to targeting or all targeted financing should be avoided, and the results above incorporate this feedback. Further input on type on targeting included:

- Preference for regional rather than country specific geographic targeting
- Thematic targeting should be limited to public goods which are under-financed but necessary including capacity in areas such as assessment, statistics etc., for which technical assistance could be linked to the ESP.

Types of Targeting: Survey Results



Type A: Education sector development and strengthening
Type B: Reinforcing the systems strengthening process

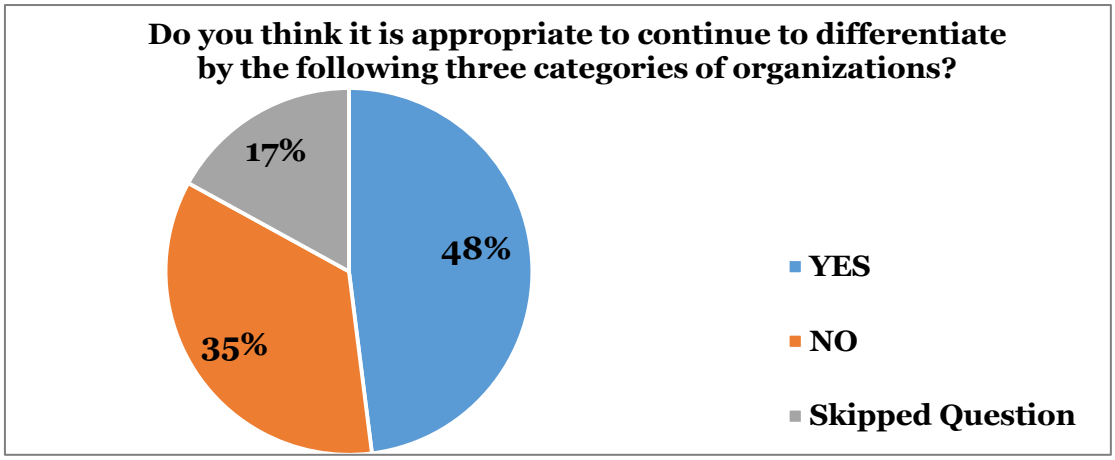
There was overall support for targeted financing to support mechanisms outside of GPE's core funding allocation model, and which would reinforce the system strengthening process, although thirty per cent of respondents also supported targeted financing for core education sector development and strengthening. Other feedback to this question noted the risk of targeted financing for education sector development and strengthening undermining GPE's sector approach by allowing for fragmented support to different themes rather than the ESP as a whole, and that targeted financing for reinforcing the system strengthening process may be more acceptable as long as it ultimately linked back to the system and its needs as identified in the ESP.

Differentiating contributors

There was overall support for some form of contributor differentiation, with most respondents supporting the current three categories:

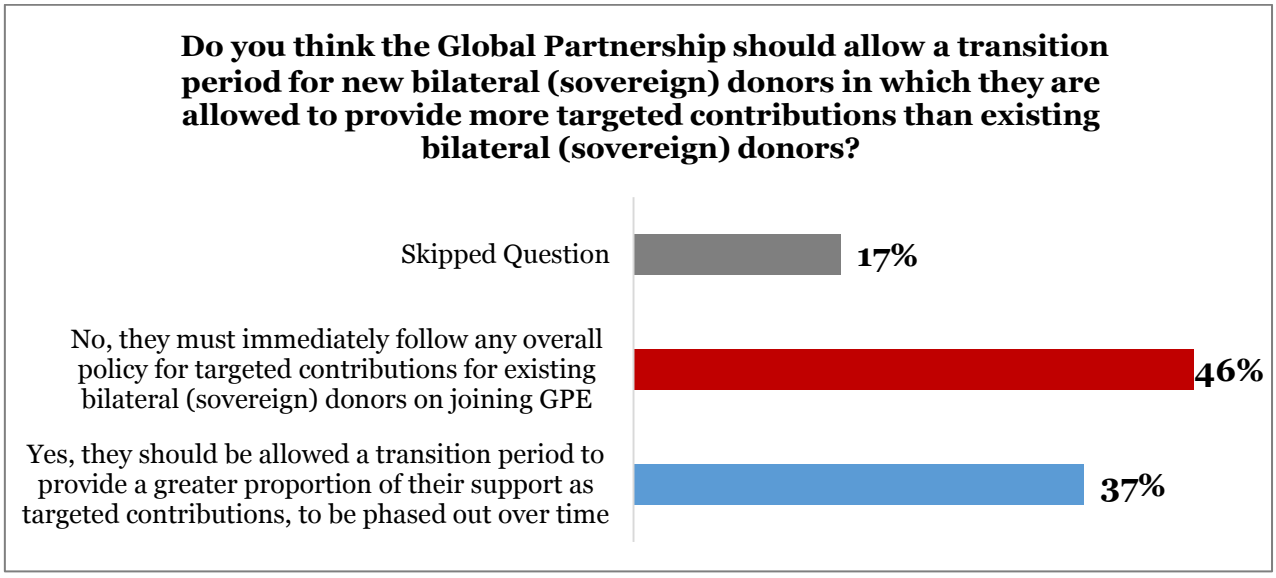
- Existing bilateral (sovereign donors)
- New bilateral (sovereign donors)
- Philanthropic Foundations

Differentiating contributors: Survey Results



However, there was less agreement on the treatment of new sovereign donors versus existing sovereign donors. Furthermore, there was overwhelming agreement (77%) that any additional targeted financial contributions should continue to be received on a notional allocation basis to the GPE Fund.

Differentiating between new and existing sovereign (bilateral) donors: Survey Results



4. Key Findings (Webinars)

Webinar consultations were based on key questions arising from the survey results:

1. *Which areas of GPE support should be opened up to targeted financing?*
2. *Which specific risks should be mitigated through safeguards?*

3. *Should there be a differentiation between types of contributor in considering targeted financing?*

4. *Based on the options presented, is there anything missing?*

Overall feedback from the webinars reinforced the survey findings, and included interest in targeting for all thematic areas, concern for geographic targeting and the importance of mapping out contributor interest in targeting by theme. The need to mitigate against the risk of fragmentation and maintaining the unrestricted nature of the GPE Fund was also highlighted.

On risks to mitigate, there were views on the need to ensure equilibrium among the areas of targeting and for GPE to remain focused on supporting the poorest countries to strengthen public education system. Further comments noted the need for the Contributions and Safeguards Policy to align with financing modalities within the Financing and Funding Framework, including with co-financing offers from multilateral development banks, with the importance of assessing the implications for country debt underlined. Emergency and financing for countries affected by conflict was also noted as one area that may need a form of notional targeting. Furthermore, there was interest to ensure that the concept of "Innovation" is understood and defined as innovation to support the public system, with the same applying to KGPE initiatives.

On differentiating between types of contributors, webinar feedback echoed the survey results in that there was support for differentiation between Foundations and sovereign donors, but not for between new and existing contributors. Nevertheless, webinar feedback did recognize the need for GPE to build capacity and skills to work with non-traditional donors as part of the overall Financing and Funding Framework.