

PORTFOLIO REVIEW 2017

Executive Summary

GLOBAL PARTNERSHIP *for* EDUCATION

This page is left blank intentionally.

EXECUTIVE SUMMARY[1]

KEY OBSERVATIONS

Findings in this report demonstrate alignment between grant investments and the strategic vision of GPE 2020: to ensure inclusive and equitable quality education for all, especially children in some of the most difficult circumstances. A coding exercise by sub-sectoral and thematic activities of 41 active ESPIGs at the end of FY17[2] was conducted. At the thematic level, results from the coding show that GPE ESPIG investments focus heavily on improving learning, as 40 ESPIGs support teacher training while 35 supply learning materials. Furthermore, to promote equitable access to education, 30 grants support classroom expansion/rehabilitation, another 30 support gender equality projects, 12 support well-being programs,[3] and 10 support children with disabilities. All the 41 ESPIGs had system-strengthening activities and within those, Education Management Information Systems (EMIS) had the highest number (33 ESPIGs).

As in previous years, this report shows that the majority of GPE's grant allocation is committed to countries with high needs, especially those affected by conflict and fragility (FCAC) and lower income countries. Fifty-one percent of countries that received ESPIG allocation during FY17 are FCACs, representing a 3 percent increase from FY16. Fifty-five percent are classified as lower-income countries while 36 percent are in the lower-middle-income category. Also, 67 percent of the 42 countries/federal states[4] that received ESPDG grants to conduct education sector analysis (ESA) and develop education sector plans (ESP) were those affected by fragility and conflict.

Improved disbursement rate. Compared to the previous fiscal year, disbursement ratings in FY17 show improvements for percentage of grants on track, from 54 percent in FY16 to 63 percent in FY17, while percentage of grants that are delayed remain relatively the same (25 percent for FY17 and 26 percent in FY16). The uptick in the proportion of grants on track, without a corresponding improvement in the percentage of grants delayed, is in part due to an improvement in the percentage of grants slightly behind (from 20.4 percent in FY16 to 12.5 percent in FY17). During FY17, 54 countries benefited from 59 ESPIGs worth approximately US$2.32 billion. The FY17 ESPIG disbursement totaled US$420.7 million, while the cumulative amount disbursed for the ESPIGs that were active during the fiscal year was over US$1.51 billion. Of this amount, US$1.17 billion (77 percent) was disbursed to Sub-Saharan African countries or states.

An analysis of grant implementation rate presents mixed results. On the one hand, the percentage of grants either on track or slightly behind remains constant at 79 percent from FY16 to FY17, just as the proportion of grants delayed in implementation has hardly changed (20.4 percent in FY16 and 20.8% in FY17). However, when the data is further disaggregated, the FY17 implementation rating demonstrates an increase in the percentage of grants rated slightly behind (from 52 percent in FY16 to 60 percent in FY17). During the same period, there is also a decrease in the share of grant portfolio rated on track (from 28 percent to 19 percent). In terms of absolute numbers, the total active ESPIGs decreased from 54 in FY16 to 48 by the end of FY17, with six of the 11 closed grants that were on-track in FY16 being left out in the end of FY17 sample due to closure.

A quality assurance function that supports country processes and products, and leverages the new funding model. The new funding model emphasizes sector readiness to meet the funding model requirements and strong program design. To provide more streamlined and consistent support to country development of sector plans and

[1] This executive summary highlights key information of GPE's Portfolio Review 2017. For contexts and details see the main report. For comparability with the main report, the charts and tables in this summary have retained their original numbering from the main report, and are not necessarily sequential.
[2] The 41 grants coded do not include the seven sector-pooled grants (Bangladesh, Burkina Faso, Ethiopia, Mozambique, Nepal, Rwanda, and Zambia), which were also active in FY17. Given the multiplicity of donors involved in sector pooled grants, a different analytical approach is required for sector-pooled grants.
[3] Well-being programs include nutrition and health initiatives embedded in equity components of the project, aimed at optimizing school participation and learning outcomes. Examples include school feeding, deworming, vision screening/glasses, hand-washing programs, and psychological support.
[4] Please note that our reference to countries/federal states covers those sovereign countries whose sub-regional entities are counted as individual ESPIG recipients. For example, Pakistan as a country would be counted as one Developing Country Partner (DCP), while as a country/federal state it would be counted as two provinces, Sindh and Balochistan, that are ESPIG recipients.

programs, the Secretariat has continued to build and institutionalize its quality assurance function in FY17. By the end of FY17, 16 country ESPIG applications had received feedback through the new QA process – a process that is now the standard for all countries applying for ESPIG funding. The strengthened QA function ensures the Secretariat's early, iterative, and standards-based engagement with countries at critical stages of the sector planning and program design process, contributes to technical dialogue at country level, and supports country development of more robust and relevant sector plans and programs. During FY17, QA tools were also updated to allow the Secretariat to provide earlier and more strategic feedback to countries seeking guidance on applying for the variable part of their MCA. As the funding model matures, the Secretariat will continue to collect feedback from DCPs and GAs on the utility and responsiveness of quality assurance support vis-à-vis country-level processes.

Operational risk framework. Overall, grant agents and implementation partners have helped to manage the risk regarding achievement of grant objectives. However, the partnership has not been well positioned to have an impact on mitigating the risk on domestic financing, apart from during the upstream application of the funding model. A new policy is under development as part of the Financing and Funding Framework (FFF) that will help mitigate this risk.

Grant alignment on national systems and choice of modality. At the end of FY17, only 16 (28 percent) of 57 ESPIGs (active and closed) were significantly aligned with national systems.[5] These 16 aligned ESPIGs were composed of five sector pooled funds, two direct budget support mechanisms and nine projects. The percentage of ESPIGs in FY17 aligned with national systems is lower than the percentage estimated in FY15 (34 percent) and FY16 (31 percent). The Secretariat is working with country partners to engage in dialogue around aid effectiveness and the need for greater harmonization and alignment of external aid. Practices in aid delivery need to be questioned more strongly against the objectives of the partnership to develop more aligned modalities. This should be reflected in decisions and processes going forward, including the choice of modality to support GPE grant funding and quality assurance reviews of ESPIG-funded programs. Lessons learned from aligned pooled funds will be capitalized to better inform options available to developing country partners and grant agents, particularly around risk management and capacity support strategies. The development partners will play a critical role in facilitating progress, challenging existing practices and encouraging the development of aid that can adequately combine significant degrees of alignment on national systems, funding at scale and appropriate fiduciary safeguards.

GRANT PORTFOLIO TO DATE

This Portfolio Review report covers the fiscal year from July 1, 2016 to June 30, 2017. It reviews the GPE country-level grant portfolio and presents the trends in volume, geographic and thematic allocations of three GPE country-level grant mechanisms – the Program Development Grant (PDG), Education Sector Program Development Grant (ESPDG), and the Education Sector Program Implementation Grant (ESPIG). The report is prepared by the GPE Secretariat based on data provided by developing country partners, grant agents and GPE staff.

Since its inception in 2002, GPE has provided a total allocation of US$ 4.662 billion through three country-level grant mechanisms: Education Sector Plan Development Grant (ESPDG), Program Development Grant (PDG) and Education Sector Plan Implementation Grant (ESPIG). Through its Education Sector Plan Development Grant (ESPDG), GPE provides support to the education sector analysis and planning processes. Between 2012 and June 30, 2017, **US$ 18.7 million** has been provided for the funding of **72 ESPDGs in 58 countries**. In 2014, GPE doubled the funding available to support each ESPDG from US$ 250,000 to US$ 500,000 for which half of the grant is

[5] ESPIG for Organization of Eastern Caribbean States (OECS) on behalf of Dominica, Grenada, Saint Lucia, Saint Vincent and the Grenadines and Accelerated Funding (AF) for Somaliland were excluded from the sample for alignment: OECS is an inter-governmental organization, and AF is not an instrument to promote alignment, but rather to channel through the funding as quickly as possible.

earmarked for sector analysis. The Program Development Grant (PDG) supports the preparation of three to four-year programs in support of the ESP implementation. By the end of June 2017, 48 grants have been approved for a cumulative amount of US$ 9.26 million. The Education Sector Plan Implementation Grant (ESPIG) supports the implementation of the ESPs. Since 2002,[6] **129 ESPIGs** have been provided to **57 countries** for a total allocation of **US$ 4.634 billion**. Of this amount, **US$ 3.625 billion** has been disbursed. The disbursement for ESPIGs over the 12-month period ending in June 30, 2017 totaled US$420.7 million, representing about 16 percent decrease from FY16 (US$503 million) and approximately 2 percent decrease from FY15 (US$427.8 million); while the cumulative amount disbursed (since the start of implementation) for the ESPIGs that were active as of June 2017 was over US$1.51 billion.

GPE has two funding instruments at global and regional levels: the global and regional activities grant (GRA) and the Civil Society Education Fund (CSEF). The current GRA portfolio consists of 15 grants valued at US$ 31.1 million. The GRA supports innovation, capacity building, knowledge development and sharing. Since it became operational in 2013, US$ 31.1 million has been disbursed. The Civil Society Education Fund supports civil society engagement in education sector policy, planning, budgeting and monitoring. Since its inception in 2013, US$ 48.3 million has been allocated and US$ 38.6 million has been disbursed. This report does not cover these two instruments; it focuses on country-level grant mechanisms.

GLOBAL PARTNERSHIP FOR EDUCATION IN FISCAL YEAR 2017

I. Small Grants

Education Sector Plan Development Grants

About US$12.6 million was allocated in education sector plan development grants (ESPDG) to 42 countries/federal states in FY17. Out of the 42 countries/federal states that received an ESPDG, 28 are categorized as FCAC. The grants were used to conduct education sector analysis (ESA) as well as to support the development of education sector plans (ESP). Seven different grant agents, including DFID which became a first-time GA for an ESPDG, managed GPE portfolio of ESPDGs in FY17. The other GAs are Asian Development Bank (ADB), Save the Children, Swiss Development Cooperation (SDC), UNESCO, UNICEF, and the World Bank.

Table 5: ESPDG Distribution per GA and FCAC[7]

Grant Agent	Number of ESPDGs		Total Number of ESPDGs	Total Amount of ESPDGs (US$)	Share of Total Approved ESDPG Amount
	FCAC	Non-FCAC			
Asian Development Bank (ADB)	3	0	3	636,802	5.1%
Department for International Development (DFID)	1	0	1	323,570	2.6%
Save the Children	1	0	1	483,327	3.8%
Swiss Development Cooperation	0	1	1	428,794	3.4%
UNESCO	2	2	4	1,196,270	9.5%
UNICEF	13	5	18	5,815,457	46.2%
World Bank	4	6	10	3,711,482	29.5%
Total	**24**	**14**	**38**	**12,595,702**	**100.0%**

[6] From 2002 through 2011, grants currently known as ESPIGs were funded from the Catalytic Fund, and were referred to as Catalytic Fund Grants. In addition to this, there were grants equivalent to PDGs known as Education Program Development Fund (EPDF) Grants.

[7] Tables and figures in this executive summary are not sequentially numbered. They retain the numbering used in the main report.

Program Development Grants

Program development grants (PDG) worth US$3.3 million were allocated in FY17. These grants assisted 18 countries/federal states to develop education programs in alignment with their ESPs.

Table 9: Overview of Active, Approved and Closed PDGs, FY17

PDG	Active at the Beginning of FY17	New Approved During FY17	Closed During FY17	Active at the End of FY17
Number of grants	3	12	3	12
Value (US$)	887,750	2,383,909	836,750	2,434,909

II. Education Sector Program Implementation Grants

Description of the Active ESPIG Portfolio

During FY17, 58 countries/federal states (54 Development Country Partners)[8] benefited from 59 ESPIGs worth approximately US$2.32 billion.[9] Consistent with previous fiscal years, Sub-Saharan Africa had the largest number of ESPIGs under implementation. At the end of FY17, 69 percent of active ESPIGs worth US$1.446 billion in commitments were being implemented in Sub-Saharan Africa, while 10 of the 11 ESPIGs that closed during the fiscal year were also in this region.

Table 11: Number of ESPIGs Across Regions (Active, Closed and Pending as of June 30, 2017)

Region	Number of ESPIGs	% of ESPIGs	Number of ESPIGs in		Total Amount Approved (US$ millions/%)		Cumulative Disbursement as of June 30, 2017 (US$ millions/%)	
			FCAC	Non-FCAC				
Active as of June 30, 2017								
Sub-Saharan Africa	33	69%	21	12	1446.01	74%	873.08	60%
Latin America and the Caribbean	4	8%	1	3	44.5	2%	41.73	94%
South Asia	4	8%	3	1	259.3	13%	125.76	48%
Europe and Central Asia	3	6%	0	3	78.8	4%	53.95	68%
East Asia and Pacific	2	4%	0	2	55.3	3%	40.28	73%
Middle East and North Africa	2	4%	2	0	76.4	4%	22.77	30%
Total	**48**	**100%**	**27**	**21**	**1960.31**	**100%**	**1157.57**	**59%**[10]
Closed as of June 30, 2017								
Sub-Saharan Africa	10	91%	7	3	301.66	84%	296.99	98%
South Asia	1	9%	1	0	55.7	16%	55.7	100%
Total	**11**	**100%**	**8**	**3**	**357.36**	**100%**	**352.69**	**99%**[11]
Pending as of June 30, 2017								
Sub-Saharan Africa	3	100%	2	1	201.6	100%	Pending	Pending
Total	**3**	**100%**	**2**	**1**	**201.6**	**100%**	**Pending**	**Pending**

[8] Please note that our reference to countries/federal states covers those sovereign countries whose sub-regional entities are counted as individual ESPIG recipients. For example, Pakistan as a country would be counted as one Developing Country Partner (DCP), while as a country/federal state it would be counted as two provinces, Sindh and Balochistan, that are ESPIG recipients.

[9] For the ESPIGs approved on or after the November/December 2016 board meeting, supervision allocation is subtracted from the grant amount.

[10] This is the cumulative disbursement rate for all 48 active ESPIGs as of June 30, 2017.

[11] This is the cumulative disbursement rate for all 11 closed ESPIGs as of June 30, 2017.

The World Bank was grant agent for the largest proportion of ESPIGs. Of the 62 active and pending ESPIGs in FY17, the World Banks was GA for 40 (or 65 percent) worth a total amount of US$1.93 billion, representing 76 percent of the total ESPIG amount (US$2.52 billion). UNICEF managed the second largest 24 percent worth US$346 million. The U.K. Department for International Development (DFID) and SIDA both acted as grant agents for two ESPIGs each worth US$60.4 million and US$100 million in commitments respectively. UNESCO, Agence Française de Devéloppement (AFD) and Save the Children each was the GA for one ESPIG in FY17 averaging about US$29.1 million in commitments.

Figure 3: Active, Closed and Pending ESPIGs by Grant Agent as of June 30, 2016 (inner circle), and June 30, 2017 (outer circle)

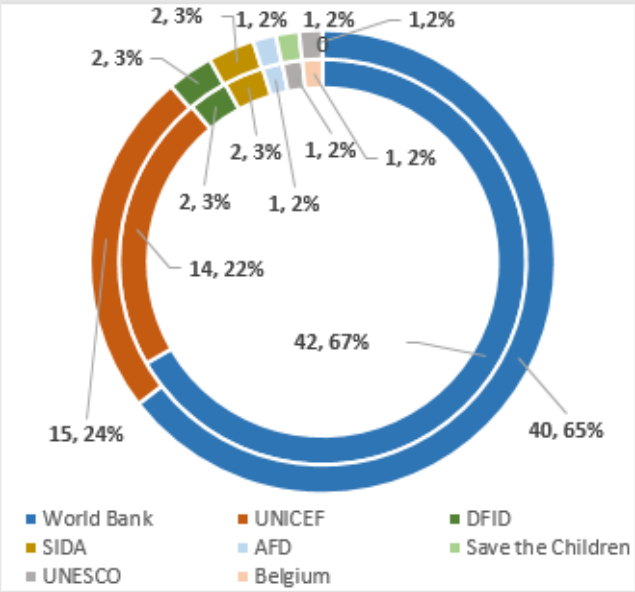
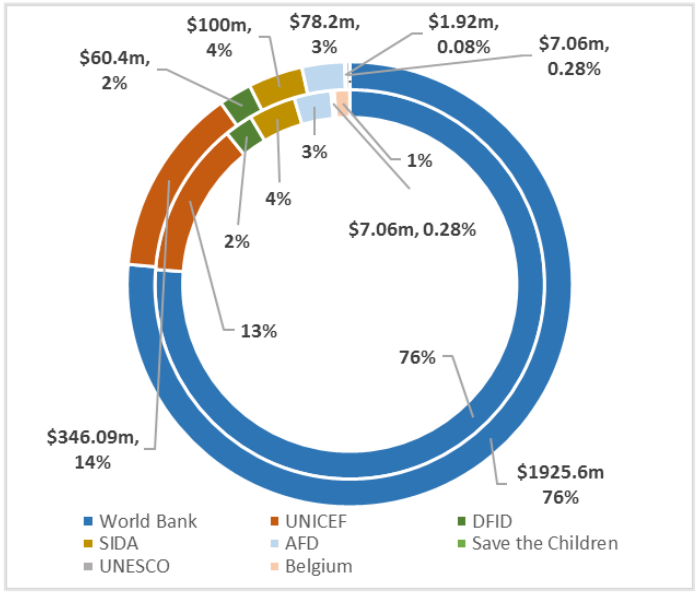
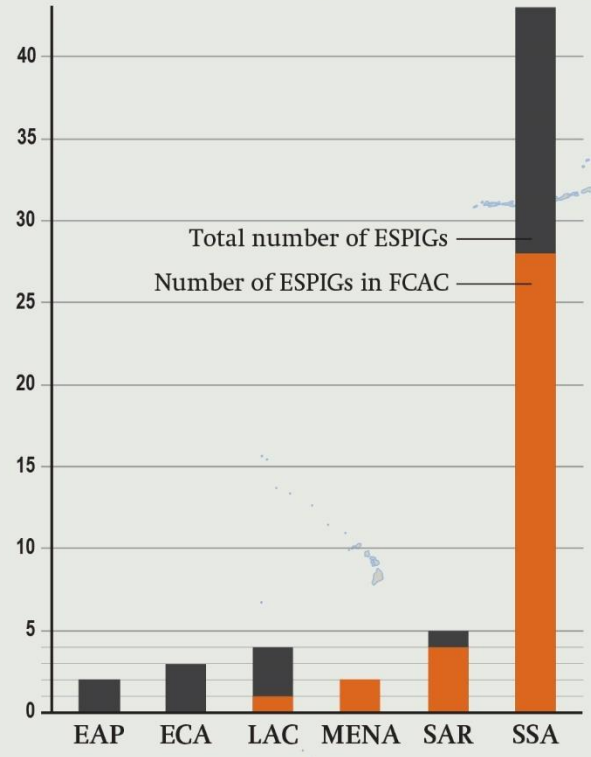


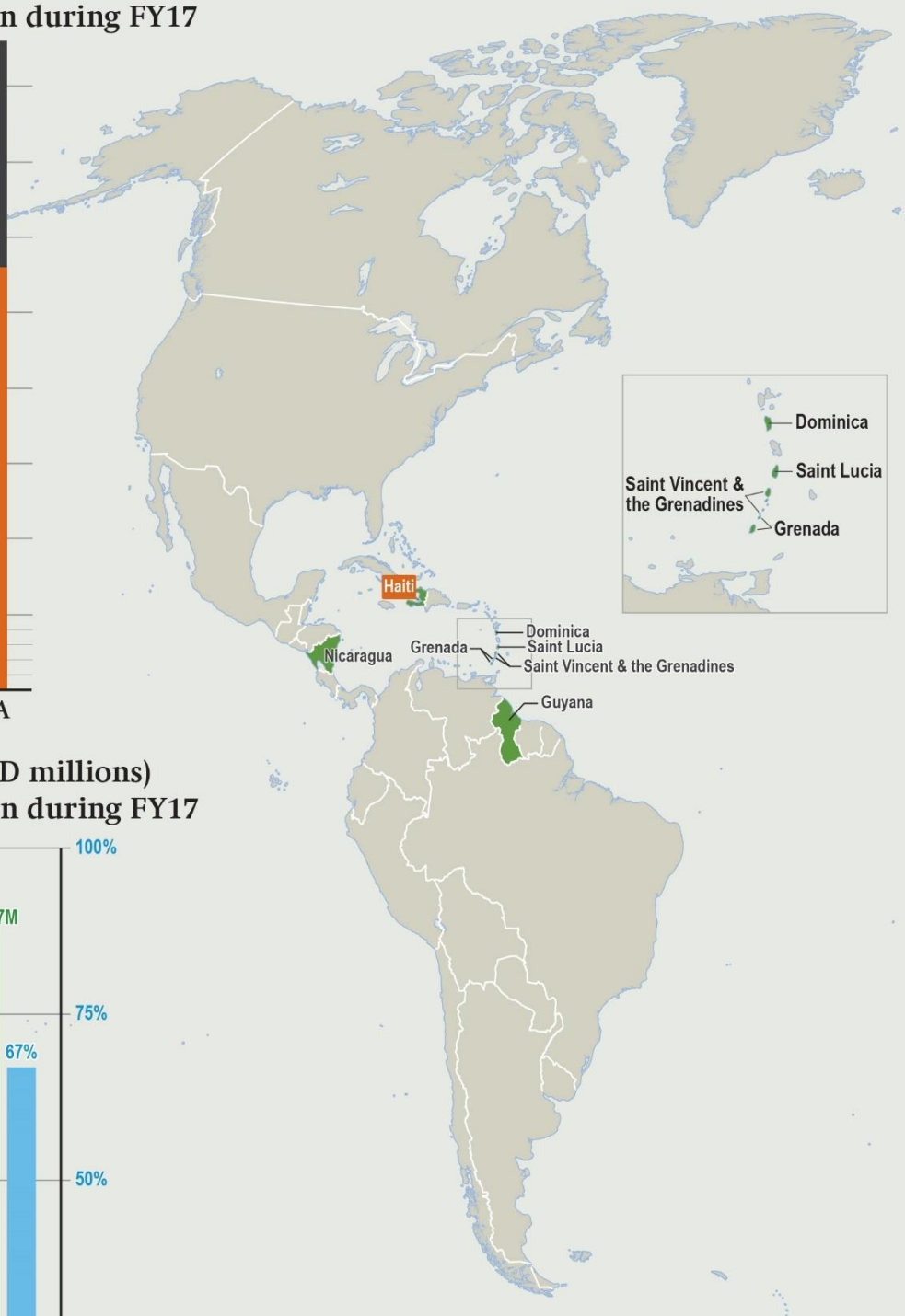
Figure 4: Value of Active, Closed and Pending ESPIGs by Grant Agent as of June 30, 2016 (inner circle), and June 30, 2017 (outer circle)



EDUCATION SECTOR PROGRAM IMPLEMENTATION GRANTS (ESPIGs) DISTRIBUTION BY REGION
(ACTIVE/CLOSED DURING FY17)

Total active/closed ESPIGs by region during FY17

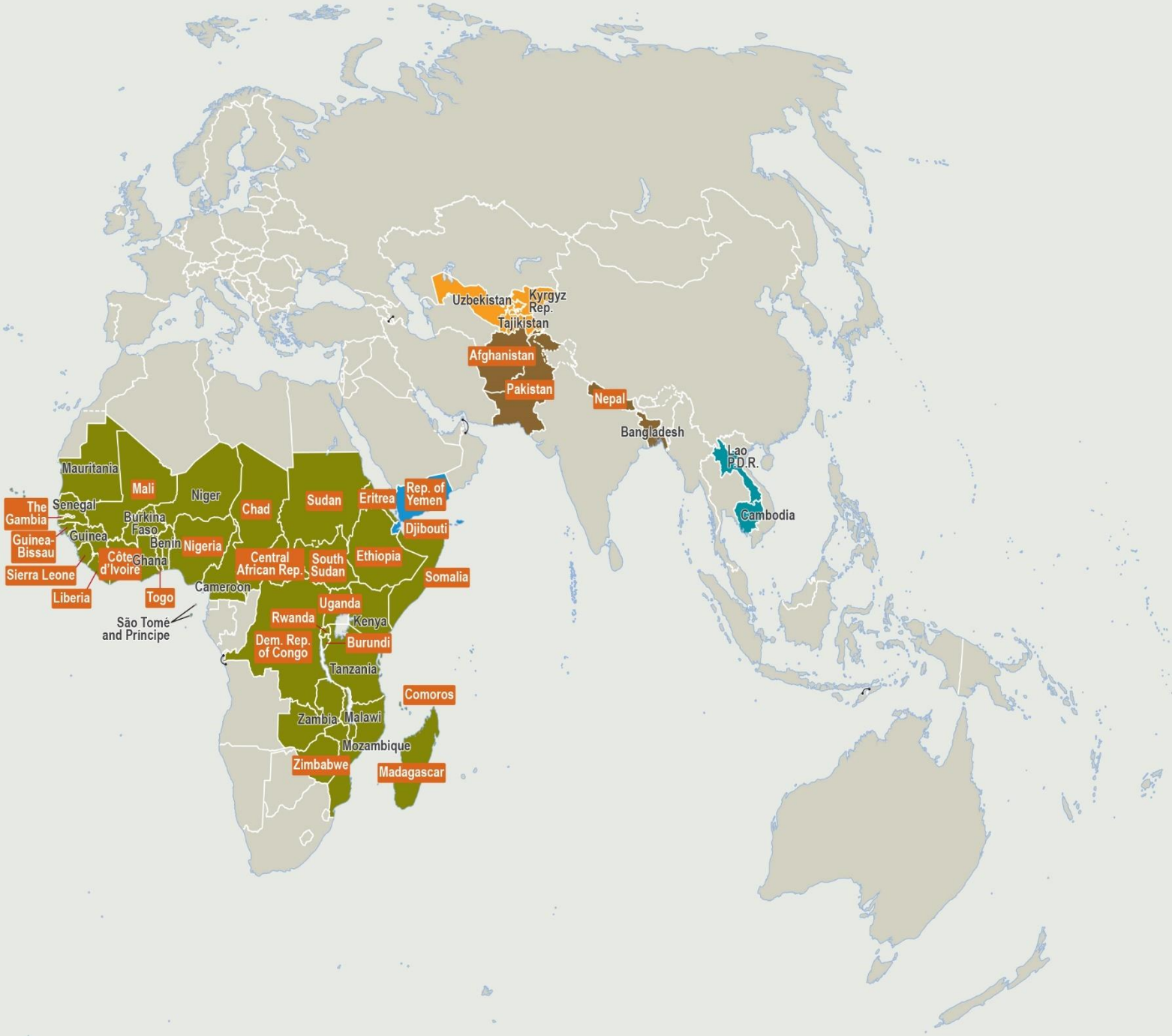




Total grant amount approved ($USD millions) and percentage disbursed by region during FY17



GLOBAL PARTNERSHIP *for* EDUCATION



East Asia and the Pacific
Europe and Central Asia
Latin America and the Caribbean
Middle East and North Africa
South Asia
Sub-Saharan Africa

Grenada — GPE Developing Country Partner (DCP)

Somalia — DCP affected by fragility and conflict (FCAC)

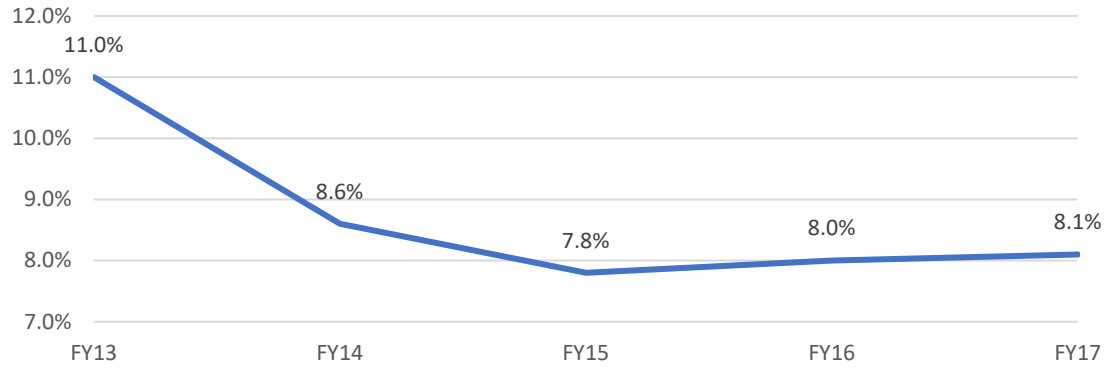
IBRD 42523 |
OCTOBER 2017

WORLD BANK GROUP

Administrative Costs

Between December 2011 and June 30, 2017,[12] the total value of approved ESPIGs amounts to US$2.71 billion, of which US$2.63 billion were countries' MCAs and US$84.4 million were agency fees and supervision allocation costs[13]. The total amount of agency fees, supervision allocations, and direct program management and administration costs of the GAs for the period from December 2011 to June 30, 2017 amounted to US$219.8 million, or 8.1 percent of the total approved grant allocations for this period. This represents an increase of 0.1 percent from the 8 percent reported in FY16, an increase of 0.3 percent from the 7.8 percent reported in FY15, a decrease of 0.5 percent from the 8.6 percent reported in FY14, and a decrease of 2.9 percent from the 11 percent reported in FY13 (See Figure 6).

Figure 6: Trend in Total Grant Agents Costs for the Period FY13-FY17 (in percentage)



Typically, fragile states and smaller grants continue to generate higher percentage-based administrative costs, while larger grants and joint funding arrangements typically incur reduced administrative costs when expressed as a percentage (see Tables 20 and 21). Costs tend to be higher when UN agencies and INGOs act as grant agents as their agency fees are in the range of 7-8 percent of the grant value.

Table 20: Agency/Supervision and Direct Management and Administrative Cost, by FCAC and Non-FCAC

Country Status	Total Approved Value of Allocation (Dec 2011-June 2017)	Agency/Supervision and Direct Management & Administrative Costs %
FCAC	US$1.618 billion	9.7%
Non-FCAC	US$1.096 billion	5.7%
Total	**US$2.714 billion**	**8.1%**

Table 21: Agency/Supervision and Direct Management and Administrative Costs, by Grant Size

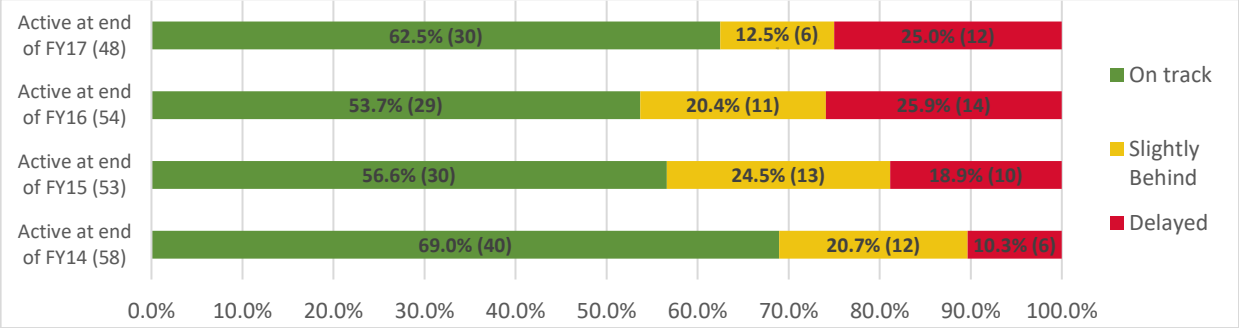
Approved Allocation Size[14]	Total Approved Value of Allocation (Dec 2011-June 2017)	Agency/Supervision and Direct Management & Administrative Costs %
Less than US$10 million	US$75 million	16.2%
Greater or equal to US$10 million	US$2.639 billion	7.8%
Total	**US$2.714 billion**	**8.1%**

[12]This analysis began when the first portfolio review was produced in 2013 and, for consistency, December 2011 continues to be the starting date.
[13] This amount includes agency fees, additionally approved agency fees, and supervision allocations for grants prior to the board decision BOD/2015/10-02, while does not include the US$2.3 million of supervision allocation that are funded from the maximum country allocation for grants approved during and after the second funding round of 2016.
[14] Out of the 68 grants used for the Admin Costs calculation, 17 are under $10m and 51 that are over $10m (inclusive of Supervision Allocation).

Performance

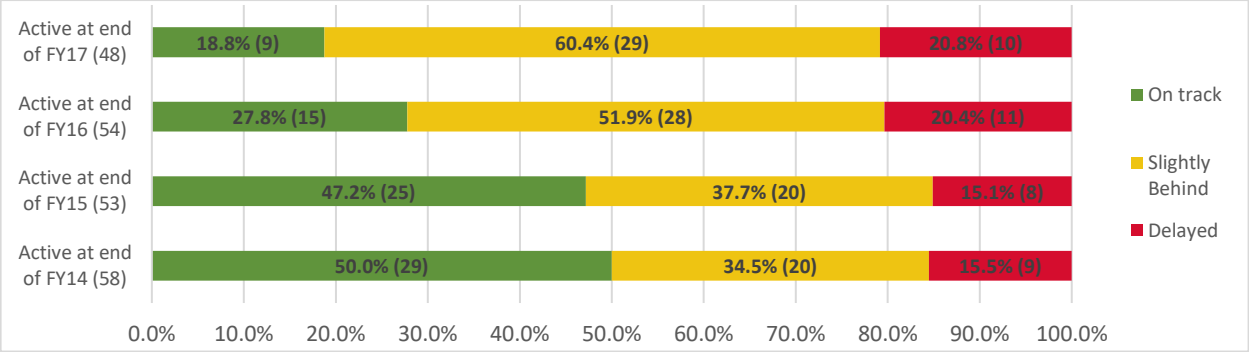
Every fiscal year since FY14, at least 74 percent of all active grants have had ratings of on track or slightly behind for cumulative disbursements, leaving a quarter of the active grants in any given year being considered as delayed.

Figure 7: ESPIGs: Disbursement Status, FY14-FY17 (in Percent and Number of ESPIGs)



As for implementation ratings, every year since FY14, at least 79 percent of all active grants have had ratings of on track or slightly behind, leaving 15-21 percent of active grants being considered as delayed in implementation in any given year.

Figure 8: ESPIGs: Implementation Status, FY14-FY17 (in Percent and Number of ESPIGs)



Compared to the previous fiscal year, disbursement ratings in FY17 show improvements for percentage of grants on track, from 54 percent in FY16 to 63 percent in FY17, while percentage of grants that are delayed remain relatively the same (25 percent for FY17 and 26 percent in FY16). The uptick in the proportion of grants on track, without a corresponding change in the percentage of grants delayed, is in part due to a decrease in the percentage of grants slightly behind (from 20.4 percent in FY16 to 12.5 percent in FY17. During FY17, 54 countries benefited from 59 ESPIGs worth approximately US$2.32 billion. The cumulative amount disbursed for the ESPIGs that were active during FY17 was over US$1.51 billion. Of this amount, US$1.17 billion (77 percent) was disbursed to Sub-Saharan African countries or states.

Figure 9: ESPIGs: Disbursement and Implementation Status, FY16 and FY17

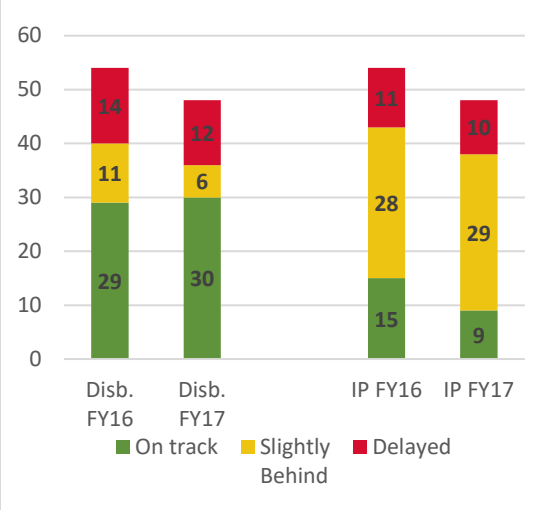
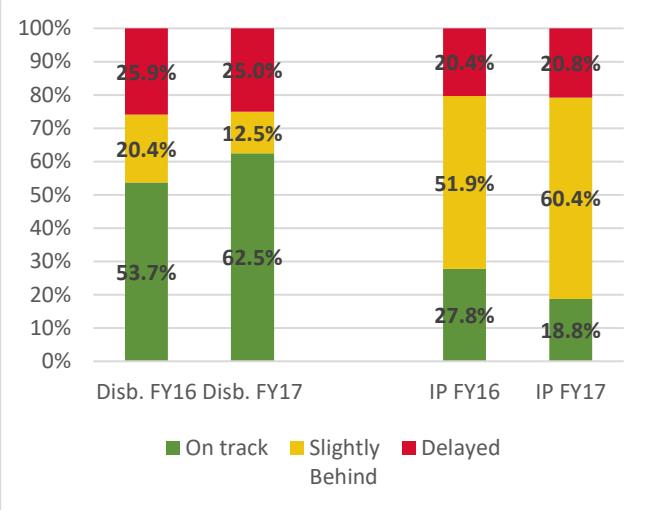


Figure 10: ESPIGs: Disbursement and Implementation Status, FY16 and FY17 (in Percent)



On the mixed results in implementation rating. With no clear conclusion on the reasons that can explain the lack of improvement in delayed and slightly behind grants, the Secretariat conducted individual assessment of the grants and their implementation contexts (based on the information from the GAs and country leads). The causes of delays are categorized as three main reasons. The first category includes unforeseen country challenges such as changes in political leadership or in the national education policy, active conflicts, lack of accessibility due to security concerns, or withdrawal of a funding agency. The second includes challenges in planning and setbacks at the launch stage. For example, delays by countries in recruiting key positions for implementation of grant activities, delays in approvals from government authorities or delays in development of needs assessment or action plan. The third is implementation challenges during project rollout, including irregularities in procurement at country-level, irregularities in safeguards procedures, delays with technical support from development partners and coordination issues between the grant agent and the government.

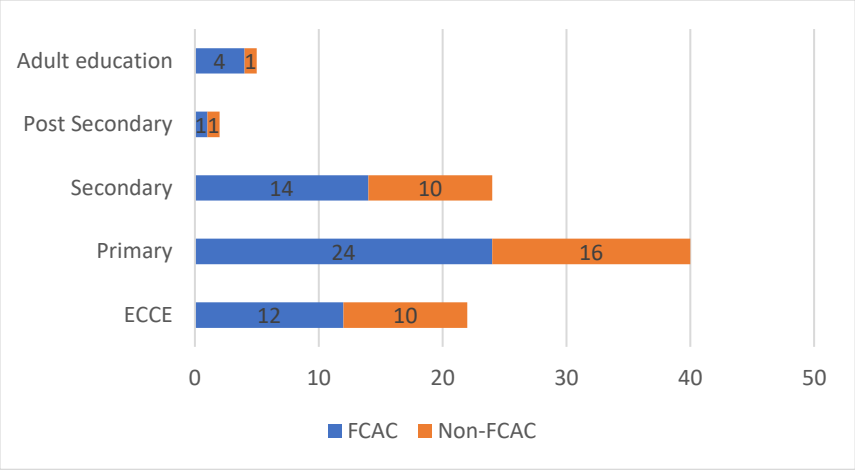
The Secretariat will continue to look at trends in the overall ESPIG portfolio to have more information on causes of delays. It is important to note that assessing the performance of grants through the Secretariat's ratings is an exercise that gives an overview of grant portfolio, but its results should not be used in isolation to define grant performance. The rating does not show the effects of some important factors that may affect grant performance, such as involvement of government, coordination between all actors involved in the implementation, and quality of interventions. The delayed rating assigned to a particular grant may be due to slow procurement. It could be that the government is using a procurement process for the first time and that it is strengthening its experience. In essence, grant rating is a useful exercise as long as its results are used alongside other information to improve the performance of the grant.

ESPIGs by Thematic Components and Results

Sub-sectoral and thematic activities of the 41 ESPIGs active at the end of FY17 (excluding sector pooled grants) were coded to provide deeper insight into the types of activities supported by ESPIGs and their alignment to GPE 2020 strategic goals. First introduced in FY16 to increase understanding of investment made through ESPIGs, the coding was improved in FY17 to further harmonize with the coding schemes of other partners (such as OECD and World Bank), and to better align with key thematic activities under GPE's strategic goals: learning, equity and efficiency.

Results for coding by education sub-sectors showed that all but one have a strong focus on primary education (40 ESPIGs). While more than half cover early childhood care and education, ECCE (22 ESPIGs) and secondary education (24 ESPIGs), five ESPIGs support adult education and training.

Figure 13: Education Sub-Sectors Covered in 41 ESPIGs Coded in FY17, Disaggregated by Fragility Status



The results also show that GPE that strategic objectives were well reflected in FY17 ESPIGs. In terms of activities that support the learning goal, teacher training (40 ESPIGs) and curriculum development/supply of learning materials (35 ESPIGs) are the most coded. In equity, most grants coded (30 ESPIGs) focused on the expansion/rehabilitation of schools and classrooms and gender equality. All the 41 ESPIGs had system-strengthening activities and within those, Education Management Information Systems (EMIS) had the highest number (33 ESPIGs).

Table 35: Summary of Thematic Activities Supported by the Portfolio of ESPIGs Active in FY17 (N = 41)

GPE 2020 Goals	Thematic Activities	FCAC (N = 24)	Non-FCAC (N = 17)	Total (N = 41)
Learning	Teacher Management	19	7	**26**
	Teacher training	23	17	**40**
	Standards/Curriculum/Learning Materials	19	16	**35**
	Learning assessment systems	17	12	**29**
	Use of ICT in learning	1	4	**5**
Equity	Education Facilities and infrastructure	20	10	**30**
	Gender equality	17	13	**30**
	Cash transfers/other targeted incentives for students	2	2	**4**
	Access for out-of-school children	12	5	**17**
	Adult learning	4	1	**5**
	Well-being programs	7	5	**12**
	Support to children with Disabilities and Special Needs	5	5	**10**
System	Systems strengthening: at the central level	24	17	**41**
	Systems strengthening: at the decentralized level	15	10	**25**
	Systems strengthening: at the school level	18	11	**29**
	Education Management Information Systems	20	13	**33**

Funding Model Updates

Three years after the adoption of the GPE results-based funding model, nine ESPIG applications (six in FY16 and three in FY17) have been awarded under the funding model. To optimize the impact of the funding model, the Secretariat has refined its quality assurance activities to be more systematic and streamlined in providing support to countries during sector planning and program design processes. Importantly, the Secretariat's early and iterative engagement with countries has facilitated more nuanced, context-sensitive, and consistent assessment of, and dialogue around, funding model benchmarks, particularly regarding country development of credible sector plans, domestic financing of education, and availability of and use of data. This more robust engagement has been positively received, but has also increased the lead-time countries require to submit ESPIG applications.

By the end of FY17, 16 countries had ESPIG applications undergoing the Quality Assurance Review process as part of the ESPIG application process. During FY17, technical support and guidance was provided to DCPs who had ESPIGs approved as well as to ESPIGs in the grant application pipeline.

Among the FY17 ESPIG applications, only Ethiopia applied for both fixed part and variable tranche. Ethiopia's application, with a requested allocation of US$100,000,000[15], including US$ 70,000,000 for the fixed part, and US$30,000,000 for the variable part, was submitted to GPC in October, 2016. However, with respect to the variable part, the Committee expressed concern about the very short implementation period of just 15 months and targets that were limited to what would be achievable in such a short period of time. Ethiopia then revised and resubmitted the Variable Tranche Indicators (VTIs). The country has proposed results indicators for two years in order to align the results and synchronize the review of results with the mid-term review of the Education Sector Development Plan V (ESDP V) and with the completion of the General Education Quality Improvement Project II (GEQIP II) in July 2018. This proposal is important given that the project supported by the approved fixed part of the grant as preparation of the next GEQIP will take longer. Therefore, the country has decided to achieve results for the variable part of the grant within the time period of GEQIP II. This has been fully endorsed, after reportedly extensive deliberations, by the Education Technical Working Group (ETWG), the LEG equivalent of Ethiopia.

[15] This ESPIG amount includes supervision allocation.

Table 15: ESPIGs Awarded Under the Funding Model

Country Name	FCAC	Grant Agent	Grant Approval Date	Grant Amount[16]	Variable Tranche Amount	Variable Part Disbursement Modality	Comments
FY 16							
Mozambique		World Bank	23-May-15	57,900,000	17,400,000	Ex-post	
Nepal	FCAC	World Bank	23-May-15	59,300,000	17,800,000	Ex-post	
Rwanda	FCAC	DFID	23-May-15	25,200,000	7,560,000	Ex-post	
Congo, DR	FCAC	World Bank	15-Jun-16	100,000,000	30,000,000	Ex-post	
Malawi		World Bank	15-Jun-16	44,900,000	13,470,000	Ex-post	
OECS		World Bank	15-Jun-16	2,000,000	n/a	n/a	Small Island exemption[17]
FY 17							
Zimbabwe	FCAC	UNICEF	9-Dec-16	20,580,000	n/a	Ex-post	Variable Tranche to be submitted in FY18
Ethiopia	FCAC	World Bank	2-Dec-16 15-Feb-17	100,000,000	30,000,000	Ex-post	Fixed part approval 02/12/16, variable part approval 15/02/17
Lesotho		World Bank	7-Jun-2017	2,300,000	n/a	n/a	Ex ante[18]

Out of six ESPIGs with an approved variable part, two have variable part achievements: Mozambique and Nepal. These two were among the first ESPIGs approved under the new funding model. Both Mozambique and Nepal set intermediate targets under the variable part, to be achieved within Year 1 or 2 of the variable part program. Both countries are on track to meet their variable tranche targets during FY17. For Rwanda and Malawi, also among the six countries, there was no target attainment verification of VTI planned during FY17. As for DRC, the ESPIG had not yet become effective by the end of FY17.

III. Support to Countries Affected by Fragility and Conflict

Countries affected by conflict and fragility (FCAC) and lower-income countries continue to receive the majority of ESPIG commitments. Fifty-one percent of DCPs with active or pending grants during FY17 are FCACs, representing a 3 percent increase from FY16. Fifty-five percent are classified as lower-income countries while 36 percent are in the lower-middle-income category.

[16] The grant amount for the three grants awarded in FY 17 includes supervision allocation.

[17] Under the Small Island Exemption, the Caribbean Island States grant was exempt from applying for the variable part, but was still awarded under the funding model as a fixed grant. This exemption is articulated in Annex 2 of the Board's Principles and Options for the Revision of the Global Partnership for Education Funding Model document of February 26, 2014.

[18] Lesotho applied under the ex-ante approach for the variable part of the funding model using the provision for ESPIGs under US$5 million, as proposed by the Secretariat in CGPC/2015/07 DOC 05.

Figure 1: Total Active & Closed & Pending ESPIGs Amount (US$ Million) by Income, FCAC, Small States, and Small Island Developing States in FY17[19]

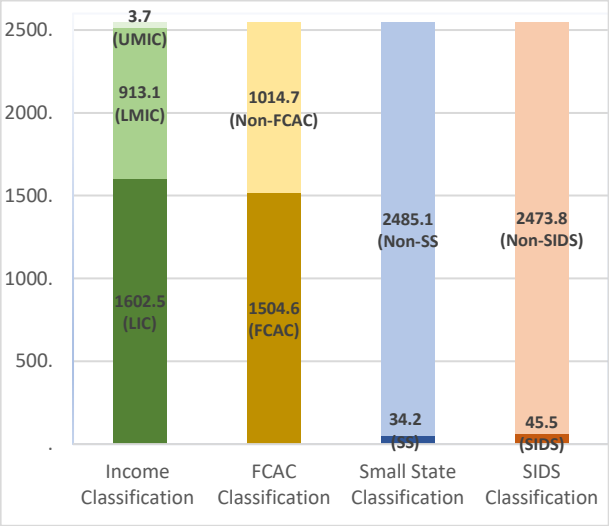
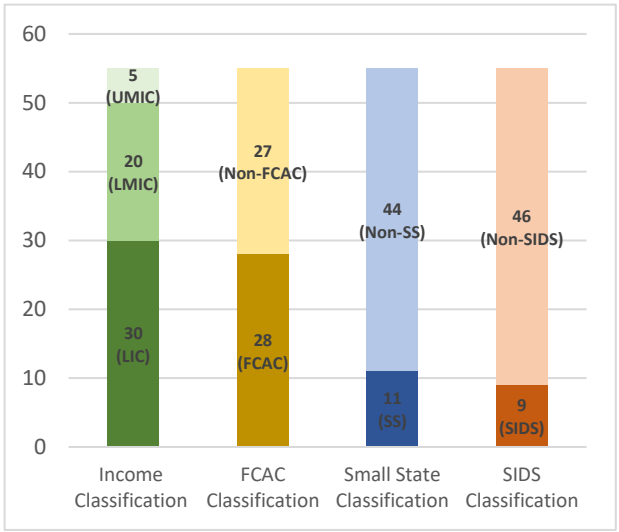


Figure 2: GPE Developing Country Partners with Active & Closed & Pending ESPIGs by Income, FCAC, Small States, and Small Island Developing States in FY17



GPE's emergency response mechanism for FCAC partners includes accelerated funding, grant restructuring, emergency readiness/preparedness planning through ESPDG, and support to transitional education plan. In FY17, there were 20 ESPIG restructurings in FCAC countries/federal states. This represents 77 percent of all restructurings that occurred in FY17. Of these 20 ESPIG restructurings in FCACs, eight (40 percent) identified specific crises as the rationale for the restructuring. These DCPs acknowledged that the flexibility allowed by GPE to reallocate funding or modify indicators is helpful for adapting to needs that arise during a crisis. Through the grant restructuring process, partners are able to respond swiftly and appropriately to the evolving circumstances. For example, in Haiti, there was a devastating Hurricane in October of 2016, causing the largest humanitarian emergency in the country since the 2010 earthquake. The Ministry of Education and Vocational Training requested a reallocation of US$1 million from the Early Grade Mathematics Assessment component to the school feeding program, within the GPE grant. The hurricane struck October 4th, the request was submitted by the DCP October 14th, and the restructuring was approved October 28th. Only 24 days after the initial disaster, GPE was able to support the government in responding to the new demands of the context. Accelerated funding, another emergency response mechanism, was accessed by Somalia (Somaliland) in FY17 to address crisis resulting from drought. The fund, which was approved in April 2017 for a 10-month program from June 1, 2017 through March 31, 2018, targets an estimated 7,800 school-aged children. The assistance was designed to help affected schools meet their teaching and learning, feeding, and water needs as well as provide appropriate capacity building to drought-affected communities.

[19] Country income levels (L - Low Income Country, LM - Lower Middle Income, UM - Upper Middle Income, H - High Income) is based on the World Bank List of Economies (June, 2017). The GPE list of countries affected by fragility and conflict (FCAC) is based on the World Bank's Harmonized List of Fragile Situations FY17 and the UNESCO's 2016 GEMR list of conflict-affected states. SS (Small State) designation is according to the World Bank Small States Classification for FY17; while SIDS – Small Island Developing States – is based on UNESCO List of Small Islands Developing States (SIDS).

Managing Risk Across the Portfolio

In October 2015, the Board approved a number of recommendations to strengthen GPE's operational model, including the development of an Operational Risk Framework. The objective of the Operational Risk Framework is to ensure that the Secretariat understands and supports risk management on a country-by-country and grant-by-grant basis. The framework helps improve consistency of risk management by addressing risk at the country, sector and grant levels in a systematic way.

In the first half of FY17, the Secretariat assessed operational risks in 58 countries/federal states and developed risk management plans for critical and high risk contexts. The ratings showed that 34 percent of countries/federal states in the GPE portfolio are high or critical in their overall sector risk (an average of scores for three selected sub-risks that relate to key areas of GPE's work). Of the countries/federal states with high or critical sector risk, 75 percent are Fragile and Conflict Affected (FCAC) countries. Twenty-eight percent of ongoing ESPIGs were rated as high or critical in their overall grant risk (an average of scores for three selected sub-risks). Of the grants with high or critical overall grant risk, 81 percent are in FCAC countries. In terms of context risk which were based on the Global Fund's rating, the assessed GPE portfolio is roughly split between contexts that have low or medium risk (52 percent) and ones with high or very high risk (48 percent). The two most elevated sub-risks were the concerns that grant objectives are not achieved within the expected implementation period and that GPE developing country partners which apply for an ESPIG fail to increase their public expenditure on education or maintain expenditure at 20 percent or above. **Overall, 19 countries/states were assessed by the GPE Secretariat as either high grant risk or critical sector risk in the key areas of GPE's work.**

In the second half of FY17, the Secretariat developed and implemented risk management plans for medium and low risk contexts. It also reviewed the risk management plans for all critical and high risk contexts with an ongoing Education Sector Program Implementation Grant (29 contexts) and assessed the impact of Secretariat's actions to mitigate risks, whether a risk rating needed to be updated, and if additional mitigations are necessary.

Beyond FY17, the Secretariat will reassess operational risks across the portfolio of ESPIGs on an annual basis. For its FY18 review, the Secretariat will link data from grant portfolio reviews and results-framework country analytics with the Operational Risk Framework. It will continue to review the effectiveness of the risk mitigation measures and regularly report to management on progress, particularly with respect to countries and grants rated as critical risk or high risk. Revisions to the operational risk assessment methodology will be finalized and presented to the Board once risk management specialists have completed a review of current practices and benchmarked comparator organizations.

The Secretariat's review of GA audit reports was first implemented in FY 16. In FY17, the Secretariat reviewed all 42 audit reports it received, and most of them contained satisfactory opinions. Of these reports, 27 contained unmodified opinions (satisfactory), five contained qualified opinions, two adverse opinions, seven multiple opinions and one had no opinion as it was an internal audit report. Issues found in the audit reports reviewed during FY17 are broadly classified as technical and systemic issues. The majority of the issues were technical, such as misstatement of financial statements, ineligible expenditure, unsupported expenditure, or other types of issues related to non-compliance with policy. Some reports referred to systemic issues such as weak procurement systems, weak financial management system, weak capacity at ministry of education or other challenges with human resources and systems in place for implementing programs.