The Needs and Performance Framework provides indicative reference points for cross-country comparison of country proposals. It is built on two key pillars. The first pillar is country need – what is needed to meet the Education for All Millennium Development Goal (MDG) of universal primary education by 2015. The second pillar, country performance, reflects national policies, capacities, and enabling environment that facilitate successful implementation of education programs and increase aid effectiveness.

These two pillars are reflected in the NPF through the following two indices:

(a). The Needs Index, which is a composite measure of need takes account of the following variables:

- the fragility of the country, measured as a 0-1 variable;
- the gender parity in school completion;
- the distance from the EFA goal, measured by the Primary Completion Rate;
- the size of the country, measured by the number of children of school age;
- the poverty of the country, measured by per capita income; and
- the volume of current external financing for education.

(b) The Performance Index, which is a composite measure of the following variables:
- Policy and Institutional Indicator comprised of indicators from the World Bank’s Country Policy and Institutional Assessment score that are directly relevant to primary education;
- Public Educational Expenditure as a share of GDP;
- Progress in the primary completion rate (measured over a three-year period).

The NPF empirically set the weights for the different variables in a way that the total impact of performance is around 1/3, population is around 1/3, and other need is around 1/3. The Needs Index and the Performance Index together provide a Country Score, which is divided by the total Country score. This number is multiplied by the total amount of GPE Funds available in order to identify the indicative allocation for each country.

**Method for Determining Allocations**

\[
\text{Needs Index} = (1-\text{PCR})^{0.15} \times \text{CSA}^{0.2} \times \text{PCI}^{0.125} \times \text{EXT}^{-0.1} \times \text{GPIC}^{-0.35} \times \text{FRAG}^{-0.15}
\]

\[
\text{Performance Index} = \text{PII}^{1} \times \text{PPI}^{0.3} \times \text{ED/GDP}^{0.3}
\]

\[
\text{Step 1: Country Score} = \text{Needs Index} \times \text{Performance Index}
\]

\[
\text{Step 2: Country Share} = \frac{\text{Country Score}}{\text{Sum of Country}}
\]

\[
\text{Step 3: Indicative Allocation} = \text{Country Share} \times \text{Available Amount}
\]