



BOD/2017/03 DOC 03 – Annex 1
Meeting of the Board of Directors
March 1, 2017
Washington, D.C.

Please note: Board deliberations at the March 1, 2017 Board meeting have resulted in the approval of the Financing and Funding Framework as set out in this paper with some amendments. Please refer to Board decision BOD/2017/03-06 for details.

Please note: Board papers are deliberative in nature and, in accordance with the GPE Transparency Policy, are not public documents until the Board has considered them at the Board meeting.

Financing and Funding Framework

Annex 1: Technical Annex

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ANNEX 1A: FUNDING MECHANISMS

A1. INTRODUCTION

At the December 2016 Board meeting in Cambodia, the Board endorsed the overall architecture of the FFF, including support for the areas of i) Innovation, ii) Knowledge and Good Practice Exchange, and (iii) Advocacy and Social Accountability that reinforces the operational model. The Board also requested the Strategic Financing Working Group to further stress-test the FFF and outline the operational implications of the various components.

This paper provides technical details on the proposed changes to GPE funding mechanisms:

- **Enhancements to GPE’s core funding mechanisms** – This section describes enhancements to Education Sector Plan Implementation Grants in the following areas: domestic resource mobilization (DRM); enhanced focus on financing strategies to improve quality and utilization of education data; improved efforts and incentives for alignment of external financing to national systems; enhanced sector-level impact of variable, results-based financing for equity, efficiency and learning outcomes; and options for regional support. Cutting across these areas it reflects on the importance of capacity building across all of GPE’s funding window, beginning with analysis of how effectively current resources deliver capacity improvements.
- **New mechanisms** – This articulates how the proposed new mechanism strengthens GPE’s country level operating model and the achievement of GPE2020; considers modality options and their operational implications; and describes risks and mitigation options. The section concludes with an aggregate view of costing across the proposed new funding mechanisms.

A2. ENHANCEMENTS TO GPE'S CORE FUNDING MECHANISMS

The FFF will feature enhancements to GPE's two core country level funding mechanisms: Education Sector Plan Development Grants (ESPDGs) and Education Sector Program Implementation Grants (ESPIGs). These enhancements are a blend of existing work streams already underway by the Grants Committee and Secretariat, as well as some new opportunities for improvement surfaced by the FFF development process. Collectively they represent an overall package of improvements that will be made throughout 2017 to increase the impact and efficacy of ESPIGs and ESPDGs. This section lists each of the enhancement areas and the specific next steps that will be taken to operationalize them.

1. Domestic Resource Mobilization (DRM)

The opportunity: Strengthen the GPE's leveraging impact on domestic resource mobilization through the domestic finance requirements, noting the importance of sustainable domestic financing for education systems as a prominent goal in both GPE2020 and the Education Commission Report.

Specific enhancements already in progress:

- **Clarified policy guidance:** With inputs from the Secretariat's methodological work on domestic expenditure, the Grants and Performance Committee has reviewed the domestic financing requirements of the funding model, recommending clarified guidance for countries, strengthened monitoring, and identifying areas where the Board will need to provide further guidance, in particular on consequences when countries fail to meet their commitments. Concretely, the GPC recommended the following:
 - The GPC requested the Secretariat develop options for the rate of progress towards 20 percent of the education budget considered acceptable for different contexts, from fragile countries with limited resources to contexts with better capacity and resources.
 - The GPC noted the need for stronger attention to efficient education spending.
 - The GPC maintained the calculation for the primary education share of education budget should be calculated on recurrent expenditures in line with the Education Sector Analysis methodology. For countries not meeting the benchmark, the GPC recommended acceptance of progressive movement towards the benchmark with due attention to equity issues, and pre-primary education benefiting vulnerable

populations considered as a 'mitigating' factor if the benchmark is not fully reached.

- In the longer term, the GPC recommended assessing whether the 45 percent benchmark is a strong enough proxy for equity, and that SDG4 indicators should be considered as a potential replacement.
- The GPC recommendations reinforce the need for better financial data and guidance to country level.
- **Improved monitoring:** As part of its Results Framework monitoring efforts, GPE has introduced a new approach to monitoring domestic spending on education that promises to improve timeliness and availability of financing data. The Secretariat is currently working with UIS on aligning methodologies and strengthening UIS capacities for measuring and monitoring domestic education expenditure as a global public good, ensuring greater coverage in terms of financial data availability and timeliness. This will enable consistent measurement and monitoring of progress towards SDG4 and GPE financing goals. Since 2013, GPE's Global and Regional Activities (GRA) program has provided US\$2.1 million in funding to UIS, IIEP and the IIEP Pôle de Dakar for national reporting systems on education finance flows, based on the National Education Accounts (NEA) methodology to enhance the country capacities to produce reliable financial data.
- **Improved guidance and tools for LEGs.** The Secretariat is developing guidance and tools for Local Education Groups to engage in policy dialogue around education financing, and has worked with the Global Campaign for Education through the CSEF to develop a domestic finance toolkit. This will reinforce both the effectiveness of GPE's domestic financing requirements and opportunities for closer scrutiny and mutual accountability across education stakeholders.

Additional opportunities for enhancement identified through the FFF design work

- **Improved policy guidance on consequences of non-compliance.** Noting the important work underway to enhance DRM, the SFWG also highlighted an opportunity to strengthen the process for monitoring commitments and introducing, when warranted, strengthened communication and possibly sanctions where domestic resources for education are reduced without justifiable circumstances (e.g. large scale disasters). Actions might be proposed along a spectrum, for example: LEG domestic finance discussions in joint sector reviews, compilation of financial data at Secretariat level for the Results Framework, formal communication from GPE to countries that are reducing

domestic financing for education, with request for explanation – up to formal sanctions related to future financing from GPE. Once more work is completed to agree on the underlying analysis of DRM that would be used to monitor commitments, the Board could decide this more formal approach to communication and sanctions based on robust data.

- **Leveraging Knowledge and Innovation Exchange to reinforce country-level capacity and commitment to DRM.** Funding for Knowledge and Innovation Exchange activities can play an important role in DRM: ensuring that there is reliable data that can be compared across contexts, and that methodological work on financial data is expanded and becomes a global public good. Knowledge and Innovation Exchange activities can also provide tools that support countries to meet DRM needs.
- **Leveraging Advocacy and Social Accountability to reinforce country-level capacity and commitment to DRM.** In addition, Advocacy and Social Accountability mechanisms are needed to ensure transparency, effective monitoring and driving increases in education budgets where these are insufficient.

Final recommendations from the SFWG

<p>The Secretariat and Grants and Performance committee should</p>	<p>Continue their work to</p> <ul style="list-style-type: none"> • Develop and disseminate improved guidance on how to set the parameters for DRM requirements • Design a process for monitoring domestic resource commitments made as a basis for satisfying the requirements of an approved ESPIG application • Propose for Board approval a policy for taking appropriate action where the commitments are not being met • Make any required modifications to the Operational Framework for the requirements and incentives of the Funding Model, and the Education Sector Program Implementation Grant policy to ensure consistency with this process.
<p>The Secretariat and SIC should</p>	<ul style="list-style-type: none"> • Consider DRM when designing the Knowledge and Innovation Exchange mechanism • Emphasize the goal of mobilizing greater domestic resources when designing the Advocacy and Social Accountability mechanism

2. Data and Education Management Information Systems

The opportunity: GPE's funding model requires countries with education data gaps to develop strategies for building or strengthening systems for capturing, processing and applying data in their planning cycles. As evidenced in GPE2020's Results Indicators, GPE partners have significant data gaps in three areas: education sector financing, service delivery indicators, and measurement of learning outcomes. The current funding model includes a requirement that countries have or develop strategies to build effective education data management systems. However, there is currently no requirement to demonstrate financing to implement such data strategies. Furthermore, there is a lack of evidence about how to design and implement an effective education management information system, and a lack of technical resources to guide DCPs who are considering making investments in this area.

Specific enhancements already in progress:

- **Improved standards.** 30 DCPs have included funding for EMIS within their ESPIGs. To date, the Secretariat has introduced a standard methodology for benchmarking ESP EMIS strategies included in the ESPs. Moreover, the Secretariat is currently establishing an inter-agency group to ensure a coordinated approach to EMIS support, by mapping international technical assistance capacities and comparative advantages from EMIS diagnosis to technology solutions, implementation and capacity development.
- **Improved learning assessment systems:** Through the GRA program, GPE has supported UIS to develop a catalogue and database of learning assessments, providing standardized information on assessments for up to 68 countries. The GRA program also supported the Network on Education Quality Monitoring in the Asia-Pacific (NEQMAP), who organizes capacity building workshops on the collection and use of high quality assessment data, and produced various resources for the region. At present, 36 DCPs have included funding to improve learning assessment systems within their ESPIGs. To further leverage its investments, the Secretariat is launching the Assessment for Learning (A4L) initiative. A4L aims to strengthen national learning assessment systems by supporting sector planning and analysis as well as capacity building and knowledge exchange at the regional level.

Additional opportunities for enhancement identified through the FFF design work

- **Enhancing the funding model data requirement.** To ensure that data strategies (including strategies for monitoring learning outcomes) are fully financed it is proposed

that countries lacking financing to implement their data strategies are required to use a portion of their ESPIG grant to do so.

- **Using Knowledge & Innovation Exchange to develop and scale solutions.** To further strengthen these efforts, the Knowledge and Innovation Exchange could be used to support improved approaches to integrated data systems (financial, education and learning data) as well as data production and utilization at country level for informed policy-making, system management and monitoring.
- **Employing the Advocacy and Social Accountability window to support the use of social accountability tools.** The new funding mechanism could provide essential funding for the development of citizen-led data and alternative research on education policy issues. It would also support the capacity of civil society to understand and use data to improve accountability at community, district and national levels.

Final Recommendations from the SFWG

<p>The Secretariat and Grants and Performance committee should</p>	<p>Modify the data requirement for ESPIG applications as follows: <i>For countries that require a plan to address data gaps, and for which financing to implement that plan within the agreed timeline is not identified by the time of the application, a portion of the ESPIG grant must finance the unfinanced portion of the data plan.</i></p> <p>Apply these modifications to applications to ESPIG applications in 2018 and beyond.</p>
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3. Alignment of International Financing for Education with National Systems

The opportunity: Accelerate GPE’s progress on its alignment agenda. Most ESPIGs use parallel implementation arrangements, failing to deliver on the GPE objective of strengthening national systems for effective delivery of education services.

Specific enhancements already in progress:

- **Improved guidelines.** To enable measurement of progress towards the Results Framework alignment indicator, the Secretariat has developed a methodology that breaks down the broader alignment concept into concrete pieces including alignment on national plan, budget, audit, treasury, procurement, accounting, reports. Following the Board’s adoption of actions to strengthen GPE’s operating model, the ESPDG guidelines have been updated to include optional financing for studies to diagnose the education system from a

Public Finance Management lens to provide evidence for advancing the development of more aligned financing modalities for external support to the implementation of sector plans. The new Grant Agent selection process is designed to provide a strengthened focus on alignment.

- **Analysis of additional levers.** The Secretariat is currently undertaking a scoping exercise to examine existing and potential GPE's levers to incentivize aligned modalities for aid delivery in education. This research will gather evidence on conditions and best practices that contribute to improved alignment and harmonization of international financing support.

Additional opportunities for enhancement identified through the FFF design work

- **Leverage collaboration with key partners.** Knowledge & Innovation Exchange Funding could invest in developing technical guidance for assessing sector PFM and identifying aid modalities that build public finance management capacity, and allow, for instance, the development of pooled-funding approaches aligned on national systems. At the global level, both the Knowledge & Innovation Exchange and the Advocacy and Social Accountability mechanisms could drive international dialogue on developing global public goods, such as PEFA-type methodology for the education sector. With Knowledge & Innovation Exchange activities driving knowledge and evidence on the one hand, GPE could also strengthen advocacy for more aligned education development aid, including through more systematic engagement of civil society in donor countries on the implementation of principles of aid effectiveness, and the development of better monitoring and feedback between country level actors and those actively mobilizing for aid effectiveness in donor countries.
- **Leverage the Education Sector Financing Plan.** GPE can also play a role in strengthening the engagement of traditional and nontraditional donors in aligned approaches. In the first place, the FFF proposes the formalization of the use of the education sector plan as the basis for the investments of all types of donors. This would involve the GPE Secretariat on a demand-driven basis supporting countries to develop and socialize and 'education sector investment plan' around which to align donors.

Final Recommendations from the SFWG

The Secretariat and Grants Performance Committee should	<ul style="list-style-type: none">• Identify and deploy existing and potential GPE levers to incentivize aligned modalities for aid delivery in education• Through the Education Sector Investment Case approach, make targeted efforts to leverage additional funding to fill ESP financing gaps.
The Secretariat and SIC should	<ul style="list-style-type: none">• Consider the goal of driving greater alignment into the Advocacy and Social Accountability Mechanism and Knowledge & Innovation Exchange Mechanisms

4. Variable part / Results Based Financing

The opportunity: Further strengthening the impact of the GPE funding model's variable, results-based financing approach to drive more effective strategies for progress in equity, efficiency and learning outcomes will also enhance GPE's impact.

Specific enhancements already in progress:

- **Improved indicators.** Throughout 2016, work by the Secretariat to maximize the intended leveraging impact of the GPE's country level funding model has focused on developing improved guidance for better linkage between key outcomes identified in the Education Sector Plan, and selection of indicator targets for the variable tranche. For various reasons including misalignment between ESP development and grant application timelines, Grant Agents and LEGs have frequently addressed the indicators and targets as a task performed only to access a GPE ESPIG. The Grants and Performance Committee's review of the experience with the variable part in 2015-2016 application rounds resulted in a recommendation to focus more strongly on the strategies behind selected indicators in the Education Sector Plan, their anchoring in core ESP strategies, and the proposed theory of change. Justification for the choice of indicators require sufficient contextual information and could be bolstered by information about the process taken to arrive at the theory of change.

Additional opportunities for enhancement identified through the FFF design work

- **Further leverage GPE investments in sector analysis and planning through improved guidance and reinforced Quality Assurance.** There is an opportunity

for developing robust theories of change within ESPs with improved policy and technical input so as to enable Ministries to confidently set, and then realize ambitious targets. This requires better guidance earlier on, between the ESA and ESP phase, to support countries to adopt transformative strategies and targets. In parallel, a literature review is being conducted to shed light on the specificities of the GPE approach to results-based financing as compared to other similar international aid approaches. This will form the basis for designing enhanced technical support to countries and quality assurance modalities on the variable part.

- **Use the Advocacy and Social Accountability window** to drive the discussion into the sector policy dialogue, and resource national stakeholders to monitor the achievement of results, complementing third-party verification mechanisms.

Final recommendations from the SFWG:

<p>The GPC and Secretariat should</p>	<ul style="list-style-type: none"> • Oversee the development of improved guidance on variable funding component that should include attention to stronger linkages with transformative strategies within Education Sector Plans • Strengthen its approach to QA for the variable funding tranche
<p>The SIC and Secretariat should</p>	<ul style="list-style-type: none"> • Look for ways to address the need for stronger and better indicators and data when designing the Knowledge and Innovation Exchange mechanism • Design the Knowledge and Innovation Exchange mechanisms in way that will result in tangible policy solutions that governments can employ to realize stretch targets • Design the Advocacy and Social Accountability mechanism to include efforts to advance greater transparency and accountability at country level in relevant policy areas

5. Emergency Support

The opportunity: Enhance the way that GPE supports the needs of countries facing crisis. GPE has an accelerated funding mechanism and Operational Framework for Effective Support in Fragile and Conflict Affected States¹. Through GPE’s accelerated funding mechanism, countries can draw down up to 20% of ESPIG funds over a one year implementation period to meet

¹ The Accelerated Funding Mechanism allows counties with an existing allocation to draw down up to 20% when crisis strikes: the Operational Framework allows rapid restructuring of an existing GPE grant when crisis strikes.

immediate needs in cases where there is an open humanitarian appeal. Close to half of all GPE funding goes to countries affected by fragility and conflict.

Specific enhancements already in progress:

- **Continue to find ways to collaborate** with others, including UNHCR, INEE, IIEP, the Education Cluster and the new ECW facility, to ensure that norms, tools, and approaches are available to that enhance country level inclusion of refugees in education sector plans and their implementation.
- **Design a clear interface with ECW.** Dalberg will be submitting a separate memo on how GPE can collaborate with ECW across a variety of funding and operational interfaces to maximize efficiencies and minimize inefficiencies.
- **Exploration of risk financing instruments** is underway by a task force within the Secretariat. With the support of the Rockefeller Foundation, a leading expert on catastrophe insurance has been engaged to develop potential options for insurance products that could be offered to GPE member countries.

Additional opportunities for enhancement identified through the FFF design work

- **More explicitly incentivize meaningful consideration of resilience and preparedness in ESPs,** including planning for the needs of refugee populations. While financial incentives have been suggested in previous discussions, the Secretariat will explore how it can tailor processes and/or the support it provides during planning to achieve this outcome.

Final recommendations from the SFWG:

The Secretariat and GPC should	<ul style="list-style-type: none"> • Strengthen the focus on resilience and preparedness especially for FCAS countries within the assessment of credible plans
The Secretariat should	<ul style="list-style-type: none"> • Include more specific provisions in the TOR for Grant Agents to deliver TA on this topic in FCAS countries • Develop a final recommendation on risk financing instruments based on on-going work • Develop a clear interface with ECW so as to maximize potential impact by December 2017

6. Regional Approaches

The opportunity: Develop more effective ways that GPE can structure programs to operate at a regional level for two main contexts (a) Small, Island and Land Locked states; and (b) Refugees. GPE has been able to broker regional approaches on an ad hoc basis for SILs, whereby ESPIG financing is combined to support a common policy challenge.

Additional opportunities for enhancement identified through the FFF design work

- **Determine how to adapt standard grant making processes to meet the needs of educational needs of refugee populations across national borders** – as for example, in contexts like Syria where country level allocations based on population require financing for children who have been displaced beyond national borders.
- **Clarify guidance on regional approaches for small, island, and land locked countries.**

Final recommendations from the SFWG:

The Secretariat should	Develop guidance that would encourage and facilitate regional funding approaches in two separate instances: (a) small, islands, and land locked states; (b) regional/crisis situations, for approval by the Grants and Performance Committee
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7. Capacity Development

The Opportunity: The need for strengthened national capacity to implement education plans and policies. At the national level, GPE invests in capacity development through its ESPDG grant, program development grants, and significantly through investments in training, management and research components at central and district levels in its ESPIGs. Grant Agents and LEG partners play key roles in building capacity through these grants. However, delivery modalities vary, sometimes with technical assistance performing tasks *for* rather than sufficiently engaging national partners *in* activities. At a global level, GPE makes capacity development investments through its Global and Regional Activities and other efforts to share knowledge and exchange good practices.

Specific enhancements already in progress:

- **High standards for Grant Agent Selection.** To be selected, the grant agent needs to meet the criterion of in-country technical ability to enhance the planning capacity of the government and engage in policy dialogue, working with the government and the LEG.
- **QA:** The ESPDG application needs to demonstrate how the proposed activities lead to strengthening of the national systems responsible for sector analysis and planning. The Board has required that in order to qualify for ESPIG funding, qualified selected independent reviewers appraise the ESP|TEP against expected quality standards, including with attention to capacity constraints that would affect plan implementation. With regard to the ESPIG, three phases of quality assurance assess grant development both upstream during development and upon submission of the application. The second phase, QAR II, provides substantive recommendations based on a technical assessment of the draft program to inform its finalization. It assesses among others the extent to which the program has been designed to be sustainable in terms of institutional capacities in the medium to long-term; and the extent to which there will be a transfer of skills and administrative capacity.
- Direct support to technical capacity through the ESPDG and ESPIG: The organization of capacity assessments is an eligible expenditure of the ESPDG.

Additional opportunities for enhancement identified through the FFF design work

- **Grant agents are a key lever to providing in-country technical advisory and capacity building** – but there is limited evidence on efficacy of their efforts
- **Implementing the new FFF will have additional capacity requirements at country level**, making the lack of insight into how well current efforts perform even more of an issue

Final recommendations from the SFWG:

The Secretariat and Grants and Performance committee should:	<ul style="list-style-type: none">• As requested by the Board, commission the examination of the efficiency and effectiveness of Grant Agents, Coordinating Agencies, and LEGS to deliver on GPE2020. This study should include an examination of their respective roles in providing capacity building and technical advice, and identify options to clarify or adjust these roles including provision of additional support as needed.• Make improvements to the provision of capacity building and technical assistance throughout the model
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A3. NEW FUNDING MECHANISMS TO SUPPORT STRONGER EDUCATION SYSTEMS

This section provides an update to the Board by documenting the options considered to best achieve the aims of each mechanism, summarizing results of a ‘stress-test’ of how the mechanisms would impact GPE’s operations, and proposing a series of next steps.

ADVOCACY AND SOCIAL ACCOUNTABILITY

Context: The SFWG has identified “advocacy and social accountability” as the one aspect of GPE 2020 without a funding mechanism within the Financing and Funding Framework. Advocacy is also referenced specifically as a necessary activity to achieve strategic objectives 2, 4, and 5. The Board mandated the SFWG to consider the mechanisms, volume, and type of funding that would be raised for advocacy and social accountability after 2018, with the understanding that further design and evaluation of GPE support for civil society and mutual accountability has been mandated to the Strategy and Impact Committee for December 2017 recommendation to the Board.

1. Why Advocacy and Social Accountability?

Enhancing accountability, transparency, and social mobilization through concerted efforts across members of the Partnership is critical for the adoption of good policies, technically sound practice, and political support for education. The Partnership has invested in advocacy and social accountability since 2009, and can build on what it has learned to ensure that the resourcing of this function is commensurate with the needs of the education sector as outlined in GPE’s strategic plan and theory of change. The approved GPE 2020 and TOC provides the strategic endorsement for GPE to engage in advocacy at global, regional and country levels by identifying areas where advocacy is needed to secure political will for a) the adoption of good policies and technically sound practices, b) to inform social and cultural attitudes to increase support for quality education, especially for marginalized and disadvantaged groups, and c) to secure external and domestic financing for education. Two strategic objectives in GPE Strategy 2020 set out these endorsements: **SO4: Mobilize More and Better Financing**, and **SO5: Build a Stronger Partnership**. The need for enhanced mutual accountability levers in GPE2020’s country-level

theory of change further pinpoints a critical role for advocacy and social accountability to drive better delivery of commitments by all partners, reflected in **SO2: Support Mutual Accountability through Effective and Inclusive Sector Policy Dialogue and Monitoring.**

At this junction, the Partnership has the opportunity to re-design its support for advocacy and social accountability by examining the potential for expanded partnerships with advocacy and social accountability actors to more effectively fulfill this function. In addition, the re-design of GPE's support for advocacy and social accountability can enable the Partnership to better integrate these activities into GPE's operational framework – including ensuring better linkages with strong sector planning, program implementation, education financing and the uptake and application of knowledge, good practice exchange and innovation in the sector. The advocacy and social accountability mechanism will therefore enable GPE to strengthen and help uphold the mutual accountability principles of the Partnership, strengthen the use of evidence and political will for education policy, and leverage the power of inclusive partnership at community, national, regional and global levels to help drive improved resourcing, policy, service delivery and impact in education.

2. Where we are today

Through the Civil Society Education Fund (CSEF), GPE currently provides funding to enable engagement by civil society actors in national policy dialogue processes, supported by capacity building from regional and global partners. The current CSEF program terminates in 2018; and the Board has mandated the Strategy and Impact Committee to evaluate CSEF and propose additional ways of leveraging civil society and mutual accountability. CSEF already provides support for civil society coalitions to engage in oversight and advocacy work through collective representation of civil society perspectives and inputs into institutional education policy dialogue spaces; however, further opportunities exist to strengthen the range of organizations, expertise and tools to enhance accountability for education. The CSEF provides a strong foundation for national advocacy, but can be further built on by addressing gaps in coalition capacity and organizational reach. Issues related to governance, transparency, social accountability, budget, finance, and expenditure have been identified as gaps in previous CSEF programs and may benefit from enhanced investments to ensure strong policy inputs by civil society in these areas. In addition, social accountability tools such as citizen-led learning assessments, public expenditure tracking surveys, community scorecards, capacity building for communities to give feedback on

education services, or other expertise outside of the education coalition may contribute to improvements in education sector outcomes.

At the global level, GPE advocacy efforts are primarily focused on high-level engagement of its chair and CEO, participation by GPE in international and regional events, global campaigns with INGOs and media strategies. During periods of increased Secretariat resourcing available for replenishment advocacy, GPE has also successfully worked with champions and global ambassadors, and increased its media presence including earned media, social media and multimedia. However, GPE's global advocacy to date is primarily focused on promoting support for GPE and taking advantage of ad hoc opportunities to increase the visibility of specific issues in education, rather than sustained engagement to achieve policy goals related to broader education issues such as domestic or international financing. In terms of global advocacy, several INGOs and NGOs have undertaken powerful advocacy campaigns on a variety of education-related areas, however other sectors such as health have intermediaries such as the Bill and Melinda Gates Foundation that provide substantial advocacy funding. Such third party support does not exist in the education space, and currently GPE's support for advocacy through CSEF has not sufficiently resourced transnational campaigns which can drive political will behind neglected challenges in the education sector.

3. Advocacy & Social Accountability Modalities being proposed

Modality A – Country Level Advocacy, up to \$15m per year. In addition to ring-fencing funding in the current range of \$9-10m per year for a program to succeed the CSEF III program, this modality would establish an additional grant mechanism of up to \$5 million per year to support social mobilization initiatives. These initiatives would involve citizen feedback and participatory methodologies geared towards helping governments and public sector institutions address policy, strategy, and implementation challenges. Target recipients include non-governmental organizations, think tanks, research organizations, university departments, and other individual civil society organizations (i.e. as distinct from national coalition recipients in CSEF).

Modality B – Global and Transnational Advocacy, up to \$5m per year. This modality would bring together consortia of actors who may otherwise not come together in the education space, or include other actors from different sectors, to work collaboratively and respectively on global and transnational initiatives or campaigns that bear on GPE country

level work, particularly in the areas of aid effectiveness, financing and cross-sectoral synergies. Consortium members would include civil society, academia, think tanks, and the media. A third party, such as a Global Partnership for Social Accountability or the People’s Action for Learning (PAL) network, could be a Grant Agent in addition to the Global Campaign for Education, who manage CSEF. Ideally, the Advocacy and Social Accountability Funding window should be managed by the same Grant Agent, to ensure maximum synergy between all activities being undertaken through this window, including linking coalitions to other national advocacy and social accountability efforts, as well as to transnational advocacy and social accountability initiatives.

Table 1: Summary of Advocacy and Social Accountability Modalities

	Modality A: Country-level advocacy	Modality B: Global and transnational advocacy
What is the opportunity for GPE?	Build on the CSEF program beyond its closure in 2018 which has been funded since 2009. The next phase of funding for advocacy and social accountability would establish a permanent window for this type of activity within GPE’s financing architecture and integrate it more fully into GPE’s operational model. It would also provide GPE the means to improve the use of evidence and means of accountability at national level for improved sector policy and implementation. This re-designed funding window for country level advocacy would do so by providing GPE with a more flexible and targeted approach to grant making to an expanded range of partners.	Greater influence at the global level to support the mutual accountability of partners for more effective aid, improved education policy and increased resourcing of education. GPE’s global advocacy currently relies on the efforts of modestly-resourced INGOs and Secretariat participation in events. It could instead rely on a more consistent, strategic and coherent engagement in on-going advocacy to support the achievement of GPE2020, its results framework and to advance education financing as a global priority beyond GPE. By supporting well-placed organizations at the global level and international consortium that can leverage south-south, north-south and triangular advocacy approaches, this funding window can improve GPE’s partners’ adoption of effective education, aid and financing policies.
Why GPE would need a new mechanism to pursue this opportunity?	This is not a new mechanism, but an expansion of an existing mechanism that builds on lessons learned. In addition to providing continued support for the work of civil society coalitions in DCPs, (building on the success of CSEF to date) the Advocacy and Social Accountability funding mechanism will also introduce a focus on providing support to specialist organizations to undertake specific, country-level work to enhance transparency in education, scale up the use of social accountability tools, build capacity of civil society for sector monitoring, undertake parliamentary outreach and build political will through social mobilization and policy advocacy.	Funding for global and transnational advocacy would enable GPE to extend its reach to support a broader set of actors (e.g., civil society, academia, media, and think tanks) in education advocacy. This would enable stronger public campaigns, a range of more effective actors, and better linkages with opportunities in the broader development community. Funding for advocacy activities at this level would enable strategic alliances at different levels of GPE’s theory of change. This would enable, for example, work to support the uptake of the Addis Ababa Action agenda to happen in both donor and domestic contexts, with engagement of influential regional actors.

<p>What might this mechanism look like?</p>	<p>A CSEF successor funding window for national-level advocacy and social accountability activities to support the work of civil society coalitions and leverage the expertise of specialist organizations in education sector policy, planning, and implementation.</p> <p><i>Example (Illustrative): A national parents association in a DCP receives a \$200,000 USD grant from this window to audit gender policies at community schools and support awareness and uptake of gender responsive practices, alongside mobilization of community leaders to support girls' education. The national coalition (supported through a parallel grant of which a portion is linked to this gender initiative) works to disseminate the findings through its network, and organizes a week of action including radio, news, and other programming to broadcast the findings and educate members of parliament. Findings from the gender audits are shared at the joint sector review and used to provide feedback on public policies on gender to help accelerate community level efforts to achieve gender parity.</i></p> <p><i>*Lessons learned from this community-led research is fed into Knowledge & Innovation Exchange initiative on girls' education to draw on lessons for other countries in their sector planning, and a specific innovation to improve learning opportunities for girls with physical disabilities is fed into a diagnostic in the Innovation window to explore its feasibility in other countries.</i></p>	<p>A global and transnational funding window aimed at better leveraging advocacy capacity to garner increased commitment to the realization of SDG4 through the Addis Ababa Action Agenda to achieve more and better funding to education.²</p> <p><i>Example (Illustrative): A consortium of think tanks, INGOs and regional civil society networks receives a grant of \$750,000 to undertake a campaign to improve the equity of financing for education, with a focus on 10 African countries with the most out-of-school children. The think tank provides research and evidence on the equity of domestic spending and household costs of education, INGOs work with donor governments to ensure dialogue at the LEG level on the issues raised, and the regional network engages the regional economic communities to adopt an action agenda to promote the recommendations. This initiative is then highlighted at the High Level Political Forum and used to mobilize support for a proactive policy on equitable spending as part of the SDG4 implementation agenda.</i></p> <p><i>*The initial research provided by the think tank is then used to inform a broader set of tools and guidelines for sector financing through the Knowledge & Innovation Exchange initiative, and disseminated through Knowledge & Innovation Exchange workshops, webinars and platforms.</i></p>
<p>Proposed allocation</p>	<p>Up to \$15 million/year, based on current CSEF allocation</p>	<p>Up to \$5 million/year</p>

4. Level of ambition and operational details

Target size of financing: The target size of Advocacy and Social Accountability window should be set at approximately \$60 Million over a three year period. Of this amount, \$10 million is already allocated from the CSEF for 2018. Subject to increased levels of financing being available, the mechanism could be scaled up though it is not envisaged that this would exceed a range of US\$80 – US\$100 million.

- **Of the US\$60 million allocation, \$45m should be dedicated to national level, split between \$30m to support the next phase of coalition support through a successor to**

² Work would be conducted through an arms-length grant-making intermediary and would not advocate directly for GPE funding, as this is a separate mandate of the Secretariat.

CSEF, and \$15m to enable grants for specialist advocacy and social accountability organizations. Approximately US\$10 million of this is already approved for 2018 through the existing CSEF program.

- **The global and transnational advocacy window** should amount to \$15 million to enable grants to INGOs and consortia for activities at this level. As a new window, \$5m annually between 2018 and 2020 is recommended.

Estimated sources of financing:

Due to the importance of the activities undertaken in this area, it is recommended that a minimum of \$60 million be allocated for this mechanism, with the aim to finance a portion of this from targeted contributions. This would allow GPE to continue to support CSEF at current levels of \$10m annually, and allocate an additional \$10m per year for the new elements of support to national organizations and global/transnational advocacy. By seeking to finance these new windows from a mixture of core and targeted funding, GPE can better define the areas for grant-making without risking undue influence by those providing targeted funding.

End use of funds:

1. **National level coalition activities** (Managed through a grant agent, who will administer small grants of \$50k-200k for each country, annually, for work including core staff, office, travel, events, research, training and other activities);
2. **National level grants for** social accountability and capacity building for civil society (Managed through a grant agent who will administer small grants on a competitive basis of \$50k-200k annually);
3. **Global and transnational advocacy activities** (\$200-500k annually, per application including those from consortia) including staff, travel, events, research, training and other advocacy activities³

How money would flow:

- **Funding would flow to a selected grant agent** to manage country and/or global-transnational advocacy and social accountability funding windows. It is recommended that grant agents – if more than one – work closely together to reduce duplication, ensure strong synergies, and maximize linkages. Each funding window would have specific

³ Note that the actual amounts required for impact, proportional to overhead costs will be benchmarked in the next steps.

criteria, including pre-identified thematic or policy areas requiring work, eligibility criteria for coalitions, organizations and consortia, and countries in which recipients must be based (linked to GPE's overall eligibility criteria).

- **A minimum amount of \$60 million to fund Advocacy and Social Accountability for the period 2018-2020 would be transferred to one or more grants agents**, Of this \$60million, approximately \$10 million is already approved from the previous replenishment for the last year of the CSEF.
- **Grant agents would send out a call for proposals** from coalitions, organizations and consortia for the three funding windows, based on a clear results framework for each of the three areas.

How partners would be leveraged

- **The Advocacy and Social Accountability window would leverage the existing partners in CSEF** by building on the work of existing coalitions and benefiting from the capacity building expertise of regional coalitions such as ASPBAE, CLADE, ANCEFA and ACEA, as well as those of the international partners group, by actively seeking them to play a role in the application process of coalitions. The existing GCE network could therefore provide the scaffolding for support to coalitions to ensure the best of CSEF is retained.
- **The design of this funding window would draw on the considerable expertise of partners involved in managing CSEF historically**, including GCE, UNESCO, UK and Australia, as well as that of foundations with specific expertise in grant-making. In addition, it should draw on expertise of organizations not officially affiliated with GPE but which bring considerable expertise to the table, including Global Partnership for Social Accountability or the People's Action for Learning (PAL). These above organizations might also be considered as Grant Agent should the operational capacity required match their experience.
- **The ASA window would also leverage the role of Local Education Groups** by supporting clear links in applications with the policy cycle of education sector planning and monitoring, including gaps in these areas which would best be addressed through civil society generated data and analysis. Local Education Groups could also help to identify the nature of investment required to improve the inclusiveness and quality of inputs from stakeholders in the policy processes at country level.

- *NB: GPE policies regarding conflict of interest would be followed in design, procurement and granting phases to ensure that individual partners or funders do not wield undue influence in the operationalization of these funding mechanisms.*

5. RISKS AND MITIGATION

There are several risks associated with the provision of funding for advocacy and social accountability which will need to be considered in the next stages of operational design.

Fragmentation at country level: Given that the independence of actors engaged in advocacy and social accountability needs be maintained in order to protect the accountability function of their activities, there is a risk that governments, members of Local Education Groups and actors funded through other funding mechanisms will not be aware of or effectively maximizing the advocacy and social accountability activities at country level. It will therefore be important to **mitigate** this risk by ensuring that GPE is effectively resourced to broker and leverage synergies between the country level touch-points of GPE's support. For example, country support leads may need to have reinforced capacity to provide guidance and make linkages between the different country level activities funded by GPE; and the Secretariat will need the capacity to ensure that knowledge and technical reviews of good practice on civil society advocacy and social accountability are shared across the partnership. Similarly, appropriate measures to inform country level partners of activities will be needed, while being sensitive to the national dynamics around transparency and accountability work.

Secretariat transaction costs: The administration of large numbers of small grants, while capitalizing on the often strategic placement of smaller NGO partners less capable of managing larger grants, does bring a heavy administrative burden. To mitigate this risk, it will be important to both 1) select Grant Agents with the commensurate expertise, structures and modalities to manage grant-making at this level, and 2) focus Secretariat support on the important role of brokering effective linkages with the country level operational model and ensuring that the effective interventions are monitored, shared and disseminated across the partnership.

Coherence to overall sector/systems approach: With small-scale activities such as those that might be funded through the ASA funding mechanism, there is a risk that activities will be piecemeal, or not feed effectively into national level policy and implementation. Throughout the

implementation of this funding mechanism, it will be important to **mitigate** this by having standard operating procedures which effectively outline the intersections between this work and that of the country level operational model, including links to the development of ESPs, ESPIG applications, joint sector reviews and other sector planning processes.

Political sensitivities: Working with advocacy and social accountability actors may require a degree of tolerance for challenging positions to be taken on certain policy issues. This may be uncomfortable for both developing country partner governments, as well as development partners whose bilateral programs may be resourcing this funding mechanism. To **mitigate** the risk of this funding mechanism escalating tensions between political actors in the education sector, it will be important to consider how to 1) effectively ensure that due diligence is done at the outset on the kinds of actors and activities being funded within the political economy of different country contexts, and 2) to sensitize all partners about the higher order value of this work to improve sector planning and develop the capacities needed for collaborative relationships to be built between un-conventional partners.

6. NEXT STEPS AND RECOMMENDATIONS:

The Strategy and Impact Committee have as their responsibility the design of GPE's support for civil society after 2018, based on the conclusion and evaluation of the current CSEF grant. Given this mandate, it is recommended that a process be laid out for that committee to consider the design of these funding windows upon their endorsement by the Board as part of the Financing and Funding Framework. To support the development of a proposal for the operationalization of such a funding window, it is recommended that the following analyses and additional work be undertaken:

- **Determine transaction costs for the administration of grants**, including overhead of grant agents in managing grants of the sizes proposed to the recipients proposed and Secretariat staffing
- **Grant size required for relative impact**, including assessment of different kinds of activity and scales (e.g. social accountability at national scale, vs. core coalition activities)
- **Existing activities or programs** currently supported for advocacy and social accountability in education at the national level by other funders

- **Areas identified as requiring additional advocacy or social accountability work**, including an assessment of evidence gaps, weak policy adoption or implementation, and under-resourced actors doing effective work in these areas.
- **Identify the potential for targeted funding** to be raised in this area including potential thematic or geographic focus of targeted funding (pending recommendations in the Contributions and Safeguards Policy), and the sovereign, private or other donors that may be willing to financing or co-finance work in this area
- **Mapping of global advocacy actors**, campaigns and existing efforts in global education advocacy including drawing on those working in other development or public financial management sectors which may have experience to bear on the education sector
- **Identify and fully elaborate all of the potential linkages** with knowledge and innovation exchange funding mechanism and ensure coherence among the activities, recipients and outcomes sought through each mechanism
- **Identify evaluation and monitoring needs for these windows** and related opportunities for sharing good practices across the partnership.
- **Define the criteria and selection process for potential Grant Agents** with the capacity to administer this kind of program, and undertake an initial mapping of organizations which may be interested in playing such a role. This may also include an accreditation process to bring on new Grant Agents.

KNOWLEDGE AND INNOVATION EXCHANGE

Context: The June 2016 KGPE strategy left it to the Strategic Financing Working Group to propose the scope and ambition for GPE's financing of knowledge activities after 2017. The original proposal for KGPE featured a cross-cutting mechanism that can support the achievement of all strategic objectives of GPE2020. The Board mandated the SFWG to consider the mechanisms, volume, and type of funding that would be raised for knowledge activities after 2017, while advising it to consider recommendations made by the Strategy and Policy Committee. The Board also mandated the SFWG to design a reinforcing funding mechanism to support innovation efforts. After considering many options, the SFWG recommends that the KGPE and Innovation Funding Mechanisms be integrated into a cohesive mechanism that will advance Knowledge and Innovation Exchange across the Partnership. This will involve creating a new Knowledge and Innovation strategy to replace the existing KGPE strategy, and a new operational design for implementing this work that enables this work to be completed as efficiently as possible.

1. Why Knowledge and Innovation Exchange?

Progress in education and the achievement of GPE 2020 hinge on the capacity of countries to develop better policy solutions, improve their use of data and analysis, and draw on cross national knowledge about what works and why. For this reason, the Education Financing Commission has called for a scale up of ODA resources for research and development (R&D), including evaluation to at least 6% of total ODA - including investments in data and statistics, knowledge and information, global standards and guidelines, and education research – investments that are needed to foster a culture of innovation and evaluation, as well a new policies and new models of delivery.⁴ The Education Commission has also made a bold call for all stakeholders in Global Education to redouble their efforts to advance innovation: *“Improving the performance of current systems is not enough. Far-reaching innovation is needed to equip young people with the new knowledge and skills they need for the new economy, to provide education to millions more children effectively and efficiently, and to take advantage of new technology and new understanding of how children learn. Leaders must foster innovation across education systems*

⁴ Recent estimates suggest that less than 3% (or approximately US\$ 242 million) of development assistance for education support global/cross-national knowledge, research and exchange of good practice – as compared to US\$4.7 billion, or 23% of total ODA for health in 2013.

by creating an environment in which innovation can emerge and scale, and by prioritizing innovation in three key areas identified as critical for future success: the education workforce, the use of technology, and the role of non-state partners”

Responding to this challenge, GPE Strategy 2020 commits the Partnership to “Effectively use global and cross-national knowledge and good practice exchange to bring about improved education policies and systems, especially in the areas of equity and learning” (under SO1: Strengthen education sector planning and policy implementation and SO5: Build a Stronger Partnership)⁵ Furthermore, the GPE Board agreed, in GPE’s 2016 KGPE strategy, that it intended to use KGPE to lift, harness, and share knowledge and evidence to spur policy solutions across the partnership, enhancing GPE investments in sector planning and plan implementation.

2. Where we are today

GPE currently supports Knowledge and Good Practice exchange (KGPE) and Innovation through a variety of mechanisms.

- **Through the Core Funding Model.** GPE makes significant investments in knowledge, innovation, technical analysis, and data as well as in national capacity to support these, both through its ESPDG and ESPIG grants and through the now closing Global and Regional Activities program. However, many GPE investments in knowledge, evidence, innovation and good practice exchange – particularly those financed through country level grants - are not in the public domain nor are they leveraged for the entire partnership. GPE is not fully utilizing the wealth of information and data available across members, and it can do much more to leverage partnership effectively to bridge global goods and national needs.⁶
- **KGPE initiatives.** GPE has launched three initiatives each of which follows the principles, objectives, 10 themes, and broad modalities agreed to in GPE’s KGPE strategy. All three initiatives are focused on supporting national capacity to plan and design improvements in their education systems:
 - **Assessment for Learning (A4L):** This initiative supports strengthened learning assessment systems and better targeted investments in learning assessments in GPE developing country partners. Building on the SABER tool, and working with partners, the initiative will develop diagnostic tools for

⁵ <http://www.globalpartnership.org/content/gpe-2020-strategic-plan>

⁶ See Results for Development (2016): “The Global Partnership for Education’s Role in Supporting Knowledge Exchange and Good Practice.”

benchmarking learning assessment systems; support knowledge exchange across Ministries of Education and technical partners; and support stronger approaches to, and investments in, learning assessment systems in national Education Sector Plans and their implementation.

- **Building Early Learning and Development at Scale (BELDS):** Working with partners, GPE will support sharing of best practice in scaling equitable, quality early learning programs. It includes support for the development of analytical tools, methodologies, and data to scaffold stronger and more effective inclusion of ECCE in education sector plans and policies.
- **Gender Equality and Responsive Sector Planning (GRSP):** As part of its Gender Equality Strategy, GPE is working with UNGEI and other partners to support governments and national stakeholders to improve gender responsiveness in their national sector strategies and policies. The initiative will fund training and technical assistance for national teams using the recently published GPE/UNGEI guidelines on gender responsive sector planning. A first workshop with five countries from East and Southern Africa is planned for March 2017. GRSP also aims to build stronger linkages between health and education inputs to ensure better outcomes for girls and boys, young women and men.
- **Global level partnerships.** Alongside these pilot initiatives funded by targeted financing, the GPE secretariat is working to convene an interagency working group on education data and management information systems, which will include a range of knowledge, good practice and capacity development components. These will build on work already developed through SABER EMIS, and outputs from related GRA grants with UIS and IIEP to strengthen national education accounts and national data capacity.
- **GPE's global and regional activities program (GRA)** which will be completed in 2017, is demonstrating strong, evidence based outcomes – in some cases with important evidence of capacity building and design of innovative policy solutions at the national level. As an example, GPE's support for the Out of School Children Initiative (GRA7) has leveraged a partnership with UNICEF, UIS and several DCPs that has provided stronger evidence, and supported national capacity to monitor and address the needs of marginalized children. Many of the GRA activities have fed into national sector plans and the identification of later policies and programs funded through GPE's ESPIGs.

Estimates of Secretariat costs from KGPE pilots and GRA activities. GRA activities (approximately \$10 million/year) have required the equivalent of 1.80 FTE for management, reporting and monitoring missions (equivalent to approximately \$500,000 per annum, or 5% of total costs). The pilot KGPE activities have required somewhat higher level of capacity due to the piloting of standard operating procedures for the receipt of targeted financing, but should settle at approximately 5-7% of total funding, in initiatives of \$5 million or greater.

Lessons learned:

These initiatives have allowed GPE to learn some important lessons.

- The importance of identifying and leveraging partnership-based approaches to KGPE.
- The importance of linking KGPE activities to the objective of strengthening national capacity for stronger policy and program interventions during sector planning and design of sector funding programs.
- The need for a rigorous design phase, before the identification of targeted funders, to identify and assess the overall ecosystem for an initiative and objectively identify the right partners and best ways of engaging them.
- The importance of having the Board or its delegated committee review and pre-designate concept notes at the end of the design phase, to ensure that each initiative is fully owned by the Partnership and is not perceived as the product of undue influence by any single funder.
- Based on the experience of the three pilot activities and the management of the GRA grants, adequate Secretariat capacity is needed to provide effective oversight of grants, ensure sharing of KGPE outputs with the larger partnership, and ensure appropriate monitoring and evaluation of the portfolio of KGPE activities.
- Recognizing the high transaction costs relative to the current size of the three pilot initiatives, it is proposed that GPE set a minimum floor for the launch of any KGPE initiative – suggested at around \$ 5 million
- To ensure ownership by the Board, a minimum amount of funding from the GPE core fund should be earmarked for any future knowledge initiatives.

On the innovation side, some lessons learned about GPE's current approach to innovation include:

- The current funding for innovation resides largely at the country level -- there are missed opportunities to form catalytic partnerships at the global level.

- There are several prospective partners, especially in the private sector and academia whose full potential for innovation is currently not being harnessed by existing mechanisms or approaches.
- Within the Partnership, there is significant experience in the use of diverse funding modalities for advancing innovation that could complement GPE's current "tool kit". For example, introducing new modalities such as challenge funds, prizes, crowd sourcing and market shaping instruments could allow GPE to use approaches that are much more tailored to specific policy challenges where innovation is needed.
- GPE's has a comparative advantage in the innovation space: no other organizations is as well positioned as GPE to support the locking together of innovation with an approach to education that emphasizes the development of sound, nationally owned, and sustainable education systems. By utilizing tested approaches to financing and bringing innovation to scale, GPE can take on a more active role identifying and accelerating evidence backed solutions, creating new opportunities for non-traditional partners to work with our partnership to develop innovative solutions to core educational problems.
- Too often, there is a trade-off between meeting the immediate educational sector funding requirements and investing in the testing and scaling of breakthrough models that could have outsized impact in the future. To solve for this tension, a common practice by other comparable large funding organizations is to dedicate a pool of resources that can explicitly be used to take on the task of identifying promising models, and investing efforts in scaling and testing operational feasibility across different contexts. Doing so allows organizations to take bolder risks, learn through failure and collaborate in more creative ways that traditional grant making typically allows.

At this stage in the Partnership's evolution, we have a good sense now of how innovation, that is the design and testing of new solutions, and knowledge, the evidence gained from applying innovations across a variety of settings, could be best harnessed in a truly integrated manner.

3. Proposed Knowledge and Innovation Exchange Mechanism:

Overall objectives: Accelerate progress towards GPE2020 goals by building and harnessing GPE members' knowledge and innovation capacity, amplified by catalytic partnerships with non-traditional partners and bolstered by vibrant exchange both within and beyond the Partnership.

An integrated approach to knowledge, innovation and exchanging of evidence based policy solutions across the GPE: The purpose of this mechanism would be to create a more integrated pipeline to translate evidence-based ideas to implementation at scale. The mechanism would be designed to play five essential functions:

- **Policy Analysis:** Defining critical policy challenges that are essential to the realization of GPE2020
- **Clearinghouse:** Employing effective knowledge management and curation to surface promising solutions from across the full Partnership, leveraging the knowledge, data and analytical assets of GPE members as much as possible
- **Research & Development (R&D):** Supporting a variety of approaches to develop and test solutions at scale, so as to build a suite of evidence-backed models that GPE members can adopt into their Education Sector Plans
- **Dissemination:** Effective approaches for ensuring uptake of the insights that are generated from this work
- **Global and Regional Public Goods:** Targeted funding for select institutions, tools and other forms of public goods that play essential "back bone" roles in advancing solutions at scale

The figure below illustrates how a mechanism could be structured, at a very high level, so that it is rooted in core policy challenges that are central to the realization of GPE2020.

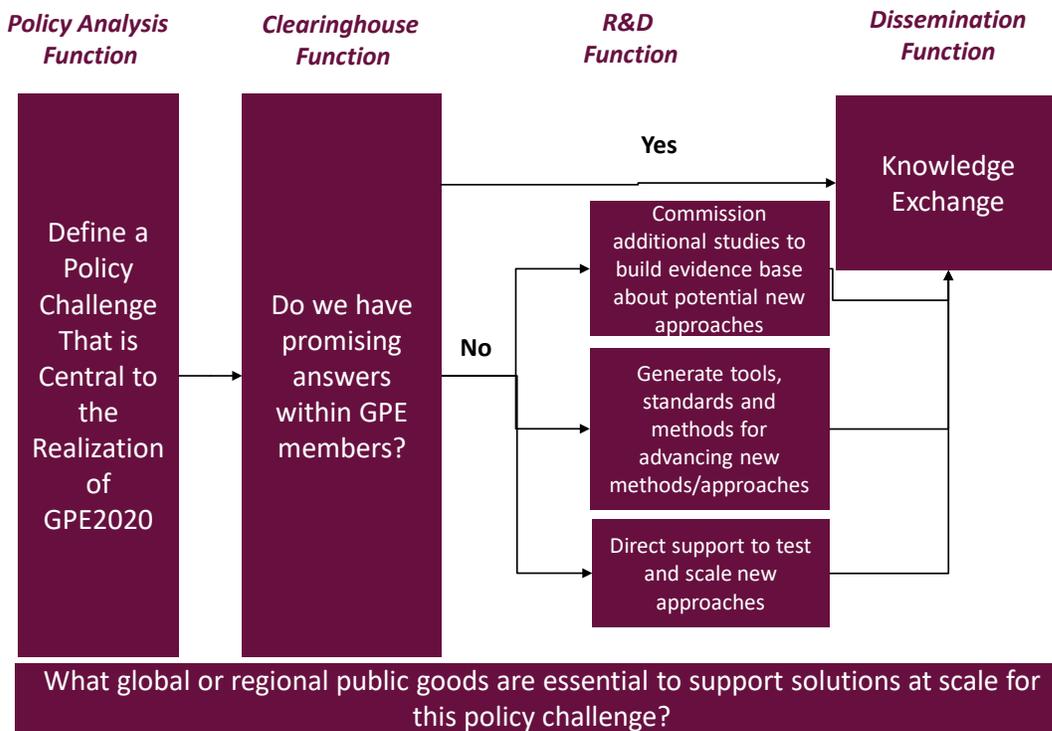


Figure 1 Key Functions Included in a Knowledge and Innovation Exchange Mechanism

Funding Modalities: We would propose that the Board authorize the SIC and Secretariat to consider a range of financing modalities when designing the Knowledge & Innovation Mechanism. Selection of these modalities would depend on a robust design phase to identify the core challenges being addressed (e.g. knowledge exchange, capacity development, piloting of new methodologies or tools) and the partnership ecosystem available for addressing these challenges in each thematic area. Some of the modalities to consider could include:

- a) **For the Policy Analysis, Clearinghouse and Dissemination Functions:** Create knowledge and innovation platforms. This funding would be administered by the Secretariat utilizing implementation partners. Depending on a mapping of partner capacities in the issue arena and a design phase, GPE could utilize one grant management agency or channel funds through a variety of implementation partners. The opportunity to work in partnership with another agency or technical partner (as for example is currently the case in the work on Gender Equality with UNGEI) should be considered as part of the design phase. This might include common activities, joint commissioning of research etc.

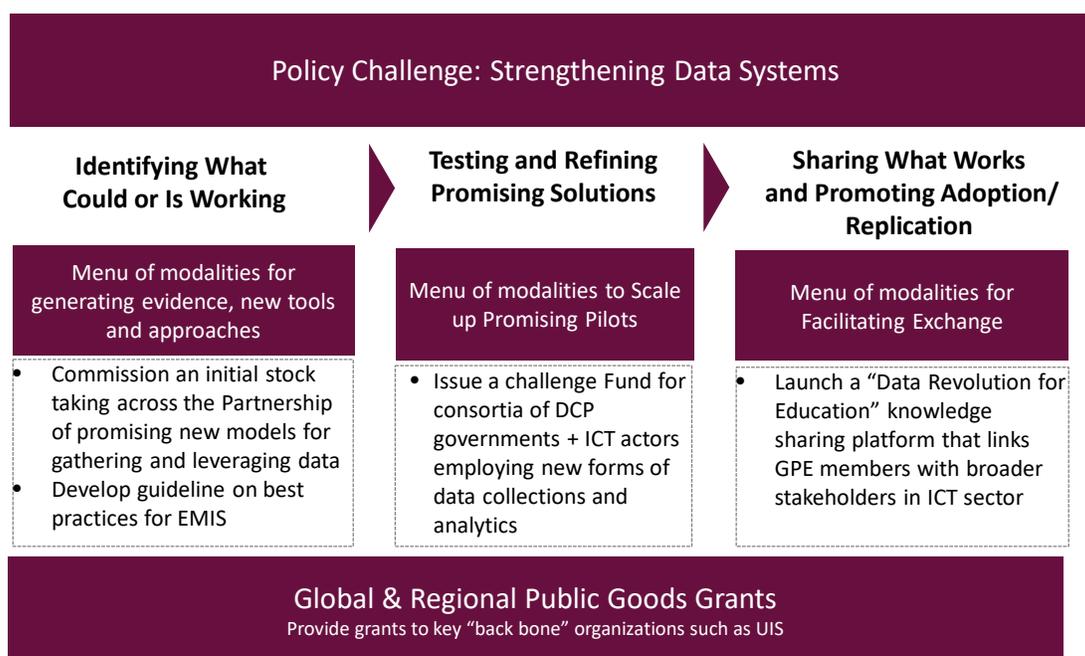
- b) **For the Global and Regional Public Good Function:** For this function we would recommend employing competitive calls for proposals from individual organizations or consortia of technical and research organizations in each of the selected thematic areas. These competitive calls for global goods would aim to build stronger approaches to data, knowledge and good practice in core areas of thematic relevance to GPE2020 and GPE’s country level operational model. Such grants would be required to include components that support national or regional level piloting of new approaches, and/or capacity development components – though in contrast to the GRA approach GPE would play a role in ensuring that selected pilot countries have clearly identified needs based on their Education Sector Plans.
- c) **For the R&D Function.** There is no single “best practice” modality that works universally well across all knowledge generation and innovation scenarios. Rather, the key is to accurately select the right modality that will solve for the very precise barriers in a specific context, sector or thematic area. We would propose that the Board authorize the SIC and Secretariat to consider including modalities that include, but are not limited to, the following list below:
- **Challenge Funds.** Award grants on a competitive basis to fund promising solutions to a specific challenge
 - **Prizes.** Stimulates knowledge generation and innovation by providing a large financial pay out in the form of a “prize” for the first organization to realize specific output or outcome milestones
 - **Crowd Sourcing.** Solicit ideas from a variety of sources, ideally from a diverse arena of actors, and use a variety of tools to narrow down and refine the ideas via an interactive online platform
 - **Co-Creation.** Proactively identifying a consortia of potential partners and providing funding for a collaborative process of designing and ultimately implementing an effort to test and scale innovations.
 - **Matching funds.** Providing matching funds to entities that are pursuing innovations or knowledge generation efforts, typically this modality would be used to leverage funding from the private sector, to offset risks or reduce high up-front fixed costs involved in testing and scaling new innovations.
 - **Market shaping mechanisms.** Creating incentives that shift the behavior of actors in an economic system – governments, private sector, and other organizations. Specific mechanisms such as volume-guarantees and advance

market commitments have been used in the global health arena to accelerate innovations.

- **Co-Financing Facility.** A facility that would co-finance innovations identified by third party entities that have key capabilities in innovation identification
- **Technical Assistance funding.** Funds that support capacity building efforts of entities that are advancing knowledge or innovation efforts
- **Research / Evaluation funding.** Funding for research and knowledge creation, often towards a well-defined learning agenda and theory of change.

Below we provide an illustrative example of how the Knowledge and Innovation Mechanism could address a specific policy challenge. In this example we provide indications of the way that modalities could be structured together into a cohesive manner so as to create a truly effective approach to solving a major policy challenge.

Figure 2 Illustrative Example of a Knowledge and Innovation Exchange Mechanism



Other Key design features of the Knowledge and Innovation Exchange Mechanism

- **Implemented through a “wholesale model”:** Initial reflections from the first set of KGPE initiatives have cited the high level of transaction costs as a key challenge to solve. The initial three KGPE initiatives were relatively small, set up as pilots, addressing very specific problems within a thematic area. For example the A4L pilot is an initiative within the domain of Improving Learning Assessments. While the initial KGPE pilots were small pilot initiatives, there is now an appetite to move to an approach that establishes a program of work across core themes aligned to the requirements of GPE2020. The Knowledge and Innovation Exchange mechanism would be designed to build from these early lessons learned, but would work through a wholesale model. This would mean, for example, that design efforts would take place across an entire program of work that covers multiple thematic domains. Implementation efforts would be structured in a way so as to leverage grant agents or third party providers to manage multi-year programs of work. Implementation partners could either be selected to anchor all work in one of the six potential themes, or could be engaged to provide a specific type of service (i.e., administration of challenge funds) across all 6 themes. In either scenario, the number of implementation partners selected would be minimized so as to reduce the transaction and supervision requirements at the GPE Secretariat level.
- **Focused on efforts at the Global level:** Efforts should focus primarily on global or regional level activities; in-country knowledge and innovation efforts are better supported primarily via the ESP / ESPIG process. Recent estimates suggest that less than 3% (or approximately US\$ 242 million) of development assistance for education support global/cross-national knowledge, research and exchange of good practice –as compared to US\$4.7 billion, or 23% of total ODA for health in 2013.⁷
- **Attracts new actors into GPE’s work:** The mechanism should be designed attract non-traditional actors into GPE’s work, including Partnerships with think tanks, universities, and research organizations. Partnerships with the private sector would be in accordance with the Private Sector Engagement Strategy.
- **A focus of the Innovation efforts on the “Missing Middle”:** The Financing Commission recommendations suggest that GPE should focus the end use of funds on the “missing middle” of funding for innovations, that is, the kinds of funding that would support scaling up of an innovative technology or educational model that has already demonstrated success in the pilot stages and is now ready to be tested at larger levels of scale, operational

⁷ Schaferhoff, Evans, Burnett et. al. 2015. Estimating the Costs and Benefit of Education from a Health Perspective. Background Paper for the Oslo Summit on Education for Development, p. 6. <http://www.resultsfordevelopment.org/sites/resultsfordevelopment.org/files/resources/SEEK.pdf>.

complexity, and integration at the systems level. In this case, funding could cover the implementation costs of scaling up innovations. The funding could also be used to cover the costs of rigorous evaluations and operational assessments.

- **The mechanism will be developed as an integrated multi-year program of work that addresses a small number of core policy challenges, where GPE can fill an important gap in the knowledge and innovation pipeline.** The policy challenges will be defined through a process that includes a mapping of the ecosystem for global goods in key areas relevant to GPE2020, subsuming the efforts being led by the Strategy and Impact Committee (SIC) around KGPE. Activities will ensure close alignment with country-level demand, and the number of overall thematic domains selected would be kept to six or fewer⁸. The SIC committee will draw on the thematic areas pre-designated for consideration in GPE’s original KGPE strategy (see Table below).

GPE2020	Domain	Thematic Areas
Goal One: Improved and more equitable learning outcomes	Improving Learning Outcomes through Quality Teaching and Learning	1. Improved Learning assessment systems*
		2. Improved approaches to Early Childhood Care and Education*
		3. Teaching and Learning (teacher development, learning materials).
Goal Two: Increased equity, gender equality and inclusion	Equity, Gender Equality and Inclusion	4. Gender Equality*
		5. Equity and Inclusion (including disability)
		6. Education of Refugees and Displaced Pop.
Goal Three: Effective and efficient education systems	Strengthening National Capacity for Planning, Monitoring and Data	7. Strengthening sector analysis and planning
		8. Strengthening data systems
		9. Improving mutual accountability for results (transparency) – esp. in Joint Sector Review.
		10. Improving domestic financing (and its efficiency)

* Items in yellow are those which are already in pilot phase.

4. Level of Ambition and Operational Details

- **Level of Ambition/Scale of Funding:** The SPC recommended to the Board an overall level of ambition for KGPE activities that is equivalent to approximately 5% of GPE’s current annual disbursements, or approximately 25 million per annum, of which it estimated that 40% could be raised through targeted financing. This amount was benchmarked against the Financing Commission’s overall recommendation that financing

⁸ At its meeting on the 31st January 2017, the committee requested the Secretariat to propose an initial prioritization methodology at the April 2017 SIC meeting to specify the number, topic and sequencing of themes.

for global goods in education be equivalent to 6% of total aid. With innovation now integrated into this mechanism, there could be a case for increasing this amount further.

- This proposal suggests that 6 initiatives would be launched, with a minimum floor of \$5 million to launch each theme but over the course of implementation, they should preferably reach \$10 million or higher and potentially move funding in this area towards the SPC recommendation of 5%. Some of the targeted financing for these activities has already been raised (\$ 7 million). **The proposed minimum funding envisaged for Knowledge and Innovation Exchange efforts is \$60 million in total over 3 years, with an expectation that a minimum of \$30 million (10 million/year) will come from GPE unrestricted funds.**⁹
- **End use of funds:** Although funding might flow through global or regional partners, the end use of funds would primarily be focused on a combination of technical assistance, R&D and other forms of capacity development and knowledge exchange, as well as operational funding for the development and piloting of new models tools, methodologies or approaches. Eligibility and engagement of non-traditional partners would be shaped by the Private Sector Engagement Strategy developed by SIC.
- **How funding would flow:** Funding would either flow through the Secretariat who would procure services directly from for profit vendors or not for profit partners (in Platform activities); or through a Grant Agent selected on a competitive basis who would manage procurement of services and/would sub-grant on a competitive basis in the case of competitive calls for proposals or challenge funding. Grant Agents would ideally have expertise related to accelerating knowledge and innovation in education, and be able either on its own or through subcontracting, support monitoring and evaluation and opportunities for learning across the GPE Partnership. GPE would play an active role in designing calls for proposals with the Grant Agent and monitor to ensure the call meets quality standards. The Grant Agent would work with GPE to hold a rigorous technical review process that would be used for selection of grantees, ensuring that developing country partners' are consulted and included in this process. The Grant Agent would be responsible for on-granting to selected knowledge and innovation grantees using its own systems, and would be responsible for monitoring, audit, and reporting. The Grant Agent would report to GPE on all of its activities and ensure that there is an appropriate advisory role for GPE throughout the development and operationalization of the knowledge and innovation mechanism.

⁹ Following the recommendation of the Strategy and Policy Committee on the 31st January 2017.

- **How Partners would be leveraged:** GPE partners would be engaged in knowledge sharing, innovation and capacity development activities; technical and research partners could be engaged as contractors, grantees or broader participants in multi-stakeholder efforts. The overall design of the mechanism would include consultation with GPE partners with relevant technical expertise in the given areas and with developing country partners, and would include exploration of potential co-financed initiatives.

5. Risks and Mitigation

Two main risks and mitigation strategies were considered in the development of the Knowledge & Innovation Exchange Mechanism.

Key areas of risk	Risks	Mitigation
Fragmentation at country level	The new modalities could fragment GPE's efforts, impact and coherence at the country level.	<ul style="list-style-type: none"> • Ensure that there is a very tight linkage in terms of thematic priorities, approval processes and operational modalities that are closely linked with ESPIGs and ESPs • Create ownership of any innovation call by DCPs, and engage them as partners in the innovation. • Ensure that piloting is endorsed by the LEG
Secretariat transaction costs	Even if GPE finds third party entities to manage the mechanism, there are still going to be transaction costs with supervising these third parties and managing the risks of implementation	<p>Be highly rigorous in the selection process of the third-party implementer so as to limit the exposure of the Secretariat to overly burdensome transaction costs.</p> <p>Utilize external implementation partners or subcontractors to deliver activities and output.</p> <p>Identify third parties with capability to work across the full portfolio of work</p>

		<p>(across theme) to limit the number of different arrangements.</p> <p>Secretariat capacity would be benchmarked at a proposed level of 5-7% of total operational budgets for the management of the Mechanism.</p>
Coherence to overall sector/systems approach	<p>Innovation mechanisms, in many instances, are designed to allow for creativity and fresh approaches for tackling intractable challenges. The risk with this, however, is that the efforts lead down a path that is not aligned with the priorities or preference of policy makers.</p>	<p>Design this mechanism in such a way that there is very close alignment around the outcomes that the innovations are seeking to achieve</p>
Risk of undue influence through targeted financing	<p>Targeted financing towards a specific mechanism could lead to policy distortions that undermine GPE's overall model</p>	<p>Selection of thematic areas for prioritization will be driven by strategic assessment and design process that is overseen by the Strategy and Impact Committee.</p> <p>Activities will not be undertaken until an objective, evidence based design for the Mechanism has been approved by the Board or its delegated committee.</p> <p>Contributions to the Knowledge & Innovation Exchange Mechanism would</p>

6. Next Steps and Recommendations

- The board should request the Secretariat to commission a design of the Knowledge and Innovation Exchange mechanism under the oversight of the Strategy and Impact Committee.
- This mechanism will build from the existing KGPE strategy and move towards an overall implementation approach that can incorporate innovation, knowledge and exchange activities in an efficient and integrated manner. The final product will be a new strategy and overarching design for a multi-year program of work.

- SIC should continue its process towards selecting additional thematic domains that will form the basis of the policy challenges that the Knowledge & Innovation Exchange mechanism will be designed to solve.

A4. FURTHER BACKGROUND INFORMATION ON INNOVATION

Analysis of Potential Mechanisms

Our analysis of options for supporting Innovation started with analysis of two major pathways. The first pathway we explored was to modify ESPIG in some way so as to better accommodate and support ESPIG. The second pathway we explored was to introduce new forms of funding mechanisms. We started first by examining potential modifications to the ESPIG, in an effort to look for relatively uncomplicated ways of advancing innovation within GPE’s existing core processes. The table below lists each of the options that were considered. After thorough consideration the stress testing group agreed that country level innovation and knowledge building was best addressed through the ESPDG and ESPIG windows to avoid further fragmentation, and that all global/regional KIX activities would seek to leverage these country level investments.

Option	Application and Approval Process	Management requirements	Relationship to ESP and ESPIG	Advantages and Disadvantages
No Changes to funding mechanism, but increased emphasis on innovation in ESP	Higher expectations for the extent to which ESPs and ESPIGs should feature innovation	Technical advisory and QA process would need to feature stronger review of innovation elements	Strongly linked	<ul style="list-style-type: none"> • Many ESPIGs already include innovative programming • No new transaction costs • Minimal policy distortions • BUT this would not likely translate into meaningful changes in the level of or quality of innovation
ESPIG Set-Aside Mandate a minimum level of ESPIG funding to be spent on scaling innovations	New section of ESPIG to describe the proposed use a set-aside for innovative scaling efforts	Technical advisory and QA process would need to feature stronger review of innovation elements, more complicated supervision to ensure compliance	Significant policy distortion potential	<ul style="list-style-type: none"> • Lower transaction costs • However, significant risks of policy distortions and major departure from core GPE model of providing DCPs with flexible funding to solve evidence-based education challenges • Uncertain if this would be a strong enough incentive to realize the full potential of innovation and/or harness the full range of innovation capabilities of non-state actors

<p>ESPIG Top-Up Provide countries with access to a top-up to cover innovation scale up efforts that their ESPIG allocations would not cover</p>	<p>New application process for the Top-Up</p>	<p>Additional TA, QA and supervision over the top-up component</p>	<p>Significant policy distortion potential</p>	<ul style="list-style-type: none"> • Incentivizes / enables countries to pursue innovations without having to divert funding away from core ESP implementation • However, it introduces significant complications for GPE’s allocation formula and significant additional transaction costs for countries • Uncertain if this would be a strong enough incentive to realize the full potential of innovation and/or harness the full range of innovation capabilities of non-state actors
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Several approaches to integrate innovation into GPE’s current funding model were considered, including providing a top up to ESPIGs, a set aside within the ESPIG MCA, etc. etc. however, these options would not solve for the key challenge of harnessing the innovation potential of non-state actors, while introducing major policy distortions and potential transaction costs. They would also risk duplication with current ESPIG funding and limit the benefits of the innovation investments to ESPIG eligible countries.

The second range of potential approaches to increase innovation include the provision of new types of funding mechanisms which would provide funding through various modalities. There is no single “best practice” mechanism that works universally well across all innovation scenarios. Rather, the key to a successful innovation funding mechanism is to accurately select the right mechanism that will solve for the very precise barriers that are constraining innovation in a specific context, sector or thematic area. Below we present an illustrative range of modalities that is not exhaustive, but lists a range of potential modalities that could be more intentionally incorporated into GPE’s work.

Mechanism	Description	Example
Challenge Fund	Award grants on a competitive basis to fund promising solutions to a specific challenge	DFAT’s Blue Economy Challenge fund provides \$3M to 10 innovations that have the potential to transform aquaculture.
Prize	Stimulates innovation and scale-up by providing a large financial pay out in the form of a “prize” for the first	Bill & Melinda Gates Foundation Haiti Mobile Money Initiative provided \$10M in award funds to mobile telephony providers that were the first

	organization to realize specific output or outcome milestones	to reach key milestones in reaching customers with mobile money solutions.
Crowd Sourcing	Solicit ideas from a variety of sources, ideally from a diverse arena of actors, and use a variety of tools to narrow down and refine the ideas via an interactive website	G20 SME Finance Challenge operated by Ashoka solicited hundreds of ideas for innovations that could be scaled up to increase access to finance to SMEs. Entries were then voted upon on an open platform.
Co-Creation	Proactively identifying a consortia of potential partners and providing funding for a collaborative process of designing and ultimately implementing an effort to test and scale innovations.	USAID issues Broad Agency Announcements as a tool to collaborate with the private sector to tackle development challenges where there are no clear solutions. In doing so, they are able to co-create solutions to fund in a more creative way than traditional procurement modalities
Matching funds	Providing matching funds to entities that are pursuing innovations, typically this modality would be used to leverage funding from the private sector, to offset risks or reduce high up-front fixed costs involved in testing and scaling new innovations	Bill & Melinda Gates Foundation provided matching funds to a consortia of Cocoa companies that were testing and scaling innovative models for enhancing small holder farmer productivity.
Market shaping mechanisms	Creating incentives that shift the behavior of actors in an economic system – governments, private sector, and other organizations. Specific mechanisms such as volume-guarantees and advance market commitments have been used in the global health arena to accelerate innovations.	GAVI's Advanced Market Commitment sped up the development and distribution of the vaccine for pneumococcal by providing vaccine manufacturers with market-based incentives to accelerate innovation efforts.
Co-Financing Facility	A facility that would co-finance innovations identified by third party entities that have key capabilities in innovation identification	CoFinance alongside an existing innovation facility such as the Global Innovation Fund or DFID Girls Education Challenge, etc.

The proposed approach draws from this review of different approaches. Funding will be primarily focused on global-level and cross national activities, with modality choice tailored to the specific policy challenge. These investments will support and reinforce the in-country investments in knowledge and innovation that will primarily be made through ESPDG and ESPIG and with governments' own financing.

ANNEX 1B: FINANCING

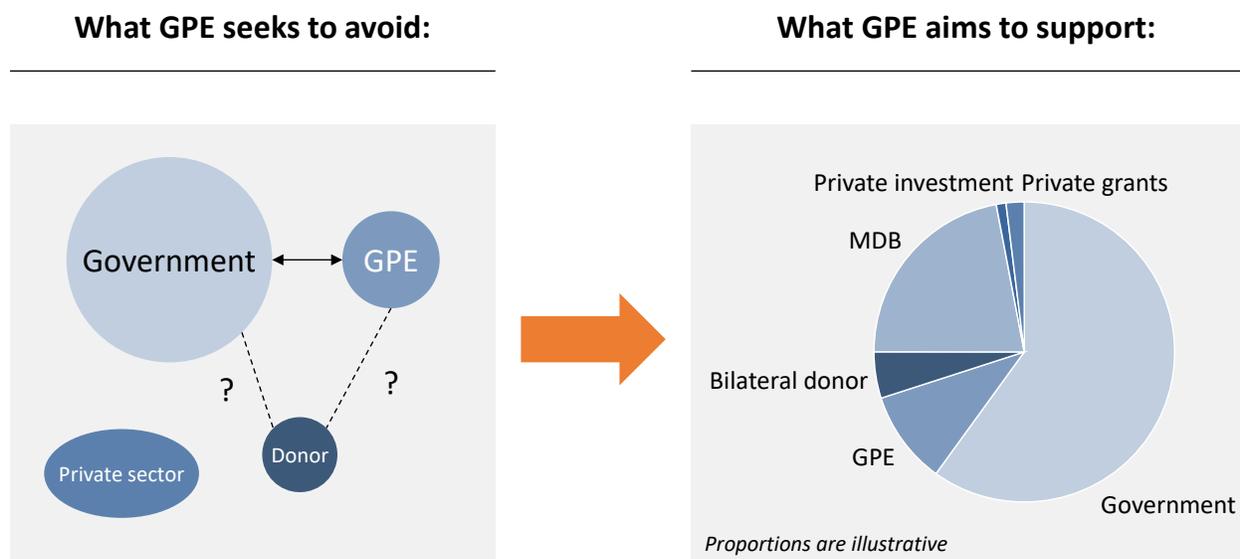
B.1: EDUCATION SECTOR INVESTMENT CASE

What is the investment case approach?

The Education Sector Investment Case (ESIC), also referred to as the “investment case approach,” involves strengthening GPE efforts to support DCPs in crowding in harmonized financing for the implementation of education sector plans – as captured in the figure below. Key principles of the investment case approach include:

- Country-led, building off of existing structures and processes where relevant
- Guided by defined processes and quality standards, but flexible to meet country needs

Figure 3: Purpose of the investment case approach



What does GPE do today?

Two aspects of GPE’s operations today relate to the investment case approach: education sector planning and efforts to crowd in resources around the plan.

- 1. Education sector planning:** All Developing Country Partners and countries eligible for an ESPIG are eligible to receive an ESPDG to support the development of an education sector plan. In order to qualify for ESPIG support, this ESP must be “credible” and of good quality;

and include a sound and achievable annual or multi-year action plan and financial framework. GPE and IIEP have jointly published Plan Preparation Guidelines that provide guidance on creating an action plan that includes the cost of each activity and sources of funding. However, many ESP financing frameworks require financing beyond identified domestic resources and additional financing committed or expected by GPE and other donors.

- 2. Crowding in of additional resources:** In many countries, GPE has made efforts to crowd in financing to support the implementation of ESPs, but there are significant opportunities for doing so more effectively and consistently. Development partners' commitment to finance the ESP is a requirement of the funding model, but GPE lacks mechanisms to enforce this. Some countries use co-financing and coordinated financing arrangements to finance the implementation of ESPs, but the level of financing committed outside of domestic expenditures and the GPE ESPIG varies across countries. The GPE Secretariat has limited dedicated capacity to support with efforts to leverage external financing for country-level ESPs, and there are opportunities to further standardize resource mobilization efforts as part of the ESP development process. In particular, timely, more strategic and targeted interventions with Ministry of Finance and donors is important, as is the identification and development of mechanisms that allow easier flow of resources into the sector, such as pooled funding mechanisms. Therefore, in order to more effectively crowd in financing, GPE could both strengthen its current efforts (e.g., by continuing to support conversations on domestic and external financing within the LEG) and implement new functions that build on this.

What changes are required?

The investment case approach will build on – but remain distinct from – the technical assistance and policy advisory that GPE, through country-level partners and the Secretariat, already provides to countries throughout the education sector planning and implementation process. A credible ESP – with a multi-year action plan that specifies the cost of each activity and identifies sources of funding – serves as the foundation for this investment case approach. However, GPE support beyond sector planning and policy dialogue is required to ensure countries can access more and better-structured financing to implement their ESPs.

Successful implementation of the investment case approach will therefore require enhancements and changes to Secretariat and Partnership capacity, processes, and structures – as detailed in the sections below.

Capacity:

Successful execution of the investment case approach will require increased capacity for the GPE Secretariat and other actors across the Partnership – including DCPs, Coordinating Agencies, Grant Agents, and LEGs more broadly, including civil society. The table below summarizes these requirements.

<p>Secretariat</p>	<ul style="list-style-type: none"> • Existing capacity: Given the link to education sector planning, parts of the “investment case” approach (e.g., developing a credible ESP with an action plan; helping monitor financing commitments via joint sector reviews) will involve existing GPE Secretariat members. Additionally, existing quality assurance processes for ESPs and action plans will be strengthened in the implementation of the investment case approach. Therefore, Secretariat training on the “investment case” approach and what it seeks to achieve will be critical. • New capacity: Increased Secretariat capacity and expertise in 3 areas will be required to provide more tailored support to interested DCPs and their in-country partners: <ol style="list-style-type: none"> 1) Impact: Expertise on value for money and high impact interventions to support stronger investment rationale for specific components of the ESP. 2) Finance: Financing expertise to advise and guide DCPs with the development of the ESP including an “investment case.” It is critical to engage Ministries of Finance in order to integrate parts of the investment case into government budget plans. Collectively, these experts must have a deep knowledge in the following areas: <ol style="list-style-type: none"> i. Public finance. Public finance specialists will assist with investment case development. They will also support the use
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	<p>of tools such as financial simulation models and engagement with Ministries of Finance.</p> <p>ii. Aid modalities. Experts will assist in moving forward on pooled funds and more aligned modalities.</p> <p>iii. Private sector and innovative finance. Experts will inform DCPs’ efforts to crowd in resources from the private sector and through innovative finance. Additionally, development of a strong investment case will be the foundation for this resource mobilization.</p> <p>3) Resource mobilization: Secretariat staff focused on partnerships and resource mobilization will help interested DCPs crowd in resources – often by helping mediate between potential financing partners and country-level actors (e.g., organizing a roundtable event).</p>
DCPs	<ul style="list-style-type: none"> • Capacity needs will vary across countries, and the flexible “investment case” approach will take this into account • For many countries, additional capacity building and technical assistance related to resource mobilization will be needed; one key need is equipping the Ministry of Education with tools to engage effectively with the Ministry of Finance to present a strong case for investment. Best practices may emerge from a more standardized way of organizing investments in education. These efforts could link to the broader Knowledge and Innovation Exchange funding mechanism. • The Secretariat will coordinate closely with the LEG to determine capacity needed at the country-level and the optimal way to provide it (<i>possible options require further consideration via ongoing design work throughout 2017</i>)
Coordinating Agencies	<ul style="list-style-type: none"> • Coordinating agency may require additional training and/or support to participate in this approach (<i>requires further consideration via ongoing design work throughout 2017; the ongoing review of the capacity needs of Grant Agents, LEGs, and Coordinating Agencies may help guide this design work</i>).
Grant Agents	<ul style="list-style-type: none"> • Grant Agents supervising ESPDGs will need to be aware of and understand the “investment case” approach given it is part of and builds

	<p>on education sector planning; training and updated information on the approach will be required</p> <ul style="list-style-type: none"> • GPE will also work closely with Grant Agents to identify prospects for mutual co-financing and leverage financing under the ESIC • Resources to flexibly hire consultants on an as-needed basis to develop the “investment case” and support the facilitation of greater external financing could come from the ESPDG (<i>requires further consideration via ongoing design work throughout 2017</i>)
LEGs	<ul style="list-style-type: none"> • The Secretariat is developing guidance for LEGs to engage effectively in domestic resource mobilization discussions and monitoring. • Further work to enhance the capacity of LEGs to engage in discussions on public financing and budgeting will be required. In some cases, more could be done to bring key partners that work in these areas into the education sector dialogue. • Consideration of the establishment of funding mechanisms such as pooled funds that ease the inflow of additional donor funds through shared risks and fiduciary management would also require particular negotiation skills among key LEG members, which are not always present.
Civil society	<ul style="list-style-type: none"> • Civil society actors supported via the Advocacy and Social Accountability funding mechanism will play a role in encouraging and monitoring financing commitments – from the government and other funders
Other	<ul style="list-style-type: none"> • Particularly visible and influential individuals within the Partnership (e.g., Board Chair, CEO, Global Ambassador) will raise awareness of ESP financing needs and encourage partners to contribute harmonized and aligned financing at country-level. • The investment case approach will also leverage the assets and financing capabilities of the Partnership (<i>see separate Topic Briefings provided in Board documentation</i>). GPE partners will be encouraged to share knowledge and expertise as well as use their broad capabilities to successfully finance the implementation of ESPs.

Processes:

The investment case approach will require 1) enhancements to existing education sector planning processes to strengthen dialogue on resource mobilization and the budget process and 2) new processes that build on the ESP (e.g., development of an “investment case”). The Secretariat will develop a detailed implementation plan that articulates these processes based on input from DCPs, donors, and LEGs. *Next steps are included in the operational roadmap.*

1. Enhancing existing processes. GPE will strengthen the financing and investment aspects of its existing support to education sector planning processes. This includes:

- **Initiating dialogue with funders earlier in the ESP process:** The GPE Secretariat will help DCPs engage potential financing partners early on in the ESP development process. This will become a standardized part of GPE’s country-level work plan.
- **Integrating discussions and enhanced planning for resource mobilization and financing arrangements in ESP development:** GPE Secretariat will encourage and support attention to resource mobilization and arrangements for flow of external resources as an integral part of sector planning process
- **Monitoring financing commitments:** GPE will strengthen and build on its monitoring of financing commitments via joint sector reviews, which should include a thorough assessment of domestic and external financing commitments. Access to strong financial data is a key part of this.

2. Building new processes. In addition to enhancing existing ESP processes, GPE will add new processes with the aim of mobilizing new financing commitments:

Development of an investment case	<ul style="list-style-type: none"> • The investment case will be based on the ESP financing framework and action plan, and articulate both <i>why</i> and <i>how</i> to support the country’s Education Sector Plan with additional financing (<i>defining the roles & responsibilities for creation of the investment case requires further consideration via ongoing design work throughout 2017; this may vary by country</i>) • The investment case and action plans will undergo a rigorous quality assurance process before convening financing partners.
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<p>Convening financing partners</p>	<ul style="list-style-type: none"> • The investment case approach will build on existing efforts to convene financing partners to support the ESP <ul style="list-style-type: none"> - GPE through the Secretariat and/or in-country partners will support Ministries of Education to use the investment case document to articulate funding needs and make the case for education both in dialogue with Ministries of Finance and donors. <i>Capacity implications considered above.</i> - The process will require the involvement and support of a senior leader in government, such as the Minister of Finance, who wields strong influence over budgetary allocations; involvement of Parliament will also be relevant in many countries • Support from the GPE Secretariat will vary from country to country. The engagement strategy will be highly tailored to demand, country context, existing capabilities, and specific needs. Possible roles for GPE include: <ul style="list-style-type: none"> - Assist DCPs in organizing an investment case launch or round-table event to generate new commitments. - Circulate investment case to potential financiers and partners at country <u>and</u> global levels (including the country and global offices of the same organization). - Make dedicated efforts to engage potential financing partners and support “matchmaking” where there is a fit with country priorities (<i>see below</i>). - Identify financing roles for members of the Partnership not currently engaged — including the range of financing capabilities and instruments across the Partnership. - Identify opportunities for investment by private sector actors in support of the ESP, e.g., for school infrastructure. - Help facilitate/promote¹⁰ credible funding modalities for interested financiers to use (e.g., pooled funds)
<p>Leveraging capabilities</p>	<ul style="list-style-type: none"> • Leveraging ratio: GPE will encourage DCPs to use every \$1 of GPE funding to secure \$3 in other external financing to support implementation of ESPs. GPE will develop targeted communication

¹⁰ GPE would not need to set up the pooled fund directly, but could work with other partners who are well-positioned to do so

	<p>materials to explain and promote the 1:3 leveraging target, in addition to the investment case itself.</p> <ul style="list-style-type: none"> • Range of leveraging options: GPE will support a broader range of leveraging options – such as co-financing with MDBs, coordinated financing with development partners, and unlocking private capital. <ul style="list-style-type: none"> - The Partnership has experience deploying a range of leveraging instruments (e.g., co-financing, coordinated financing, private sector engagement). GPE will draw on the expertise and knowledge of the Partnership. - GPE will work with partners to remove global constraints to these leveraging options (e.g., working closely with the World Bank to reduce the transaction costs of GPE-IDA co-financing arrangements). • “Matchmaking function”: Members of the Partnership have an array of financing capabilities (<i>see Partnership financing capabilities mapping in Annex B.3</i>). GPE will better leverage these capabilities through a “matchmaking function:” <ul style="list-style-type: none"> - GPE will proactively engage members of the Partnership to contribute to specific funding arrangements or transactions that support a country’s ESP. - For example, GPE could help engage a specific member to deploy a guarantee in support of a specific public-private partnership – based on needs identified in the ESP - These contributions will be in addition to the traditional grant financing of ESP activities and thus crowd in resources around the investment case <p><i>The details of how this function would work require further consideration via ongoing design work throughout 2017.</i></p> • Monitoring of co-financing at global level: GPE will set targets and strengthen its systems to monitor co-financing of GPE grants through its results framework, specifically indicator 30 (<i>requires further consideration via ongoing design work throughout 2017</i>)
<p>Leveraging resources</p>	<ul style="list-style-type: none"> • Resource pool: GPE will set aside a dedicated pool of resources to enable DCPs to leverage additional external financing. Countries must meet the 1:3 leveraging ratio to access this resource pool, which will be

	<p>structured as a requirement for certain non-ESPIG eligible GPE countries and an incentive for ESPIG eligible countries.</p> <ul style="list-style-type: none"> • Eligibility: Non-ESPIG eligible countries will apply for this funding through a competitive process. In the event of raising sufficient funding through the next replenishment, GPE will expand the pool of countries eligible for leveraging funding by provide incentive-based funding to ESPIG eligible countries. <p><i>See Annex B.2 for more information on the leverage funding pool.</i></p>
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Structures:

The investment case approach will not require significant changes to global or country-level structures, though some adjustments will be necessary.

- **Country-level platform:** Given the focus on country leadership, the investment case approach will require a country-level platform to drive efforts. The goal is to build on existing country-level structures, in particular the LEG where possible, to avoid a one-size-fits-all approach.
- **GPE governance:** The investment case approach will not require any changes to GPE’s global governance structures (i.e., Board of Directors or Committee-level engagement). However, it is possible that an advisory body at the global level (e.g., a subset of GPE members with relevant expertise) focused on country sector financing or thematic issues like MDB co-financing or private investment, may be a valuable addition to support the ESIC approach. This requires further consideration via ongoing design work throughout 2017.

Participating countries:

As indicated above, the investment case approach will 1) strengthen the finance and investment aspects of education sector planning, and 2) involve additional efforts to develop an investment case and crowd in additional financing around it. Enhancements to the ESP process will be rolled out for all countries developing new ESPs going forward, while processes to mobilize additional financing will be done in a demand-driven way grounded in country priorities.

- 1) Education sector planning:** The investment case approach aims to strengthen the finance and investment aspects of education sector planning (e.g., engaging Ministries of Finance

early on in the process). This part of the approach applies to all countries developing ESPs, as proposed enhancements will become a standardized part of the GPE country-level processes.

2) Crowding in additional resources: In addition, the investment case approach implies additional efforts to crowd in financing beyond education sector planning (e.g. development of an investment case and helping DCPs proactively engage potential financiers). GPE will prioritize working with countries that:

- Express demand and interest in the investment case approach
- Have a high quality multi-year action plan in the ESP
- Have a demonstrated gap in available financing to implement the ESP

Note that initial rollout in 2018-2019 will focus on countries starting or currently in the process of developing an ESP; identifying these countries is the first action item included in the roadmap below.

Next steps for design work and rollout:

The Secretariat will undertake the following steps to further develop and rollout this approach:

Activity	2017												2018				
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Map DCPs based on their education sector plan development and implementation process. Select interested countries will be engaged to provide further feedback on integrating the new investment case approach (i.e. development of an ESIC, convening financing partners, leveraging financing and GPE capabilities)	x	x	x														
Solicit input from DCPs, donors, and LEGs and work with them to further develop the investment case approach. Host workshop or one-on-one forums with DCPs and key partners to solicit their thoughts on the investment case approach and process.	x	x	x	x	x	x	x	x	x	x							
Present the emerging investment case approach and solicit input at constituency meeting with 74 DCPs in May.				x													
Continue engagement with analogues and benchmarks to capture best practices and lessons learned related to design and implementation (e.g., GFF for Every Woman Every Child, USAID Private Capital Management)	x	x	x	x													
Create detailed implementation plan for rollout of the approach in an efficient and effective manner, which should include a learning mechanism			x	x	x	x											
Articulate investment case approach in detail and ensure any capacity increases or resources are outlined in Human Resources Plan requested by the Board for June 2017. Following presentation of Human Resources Plan in June and Board decisions, put in place approved Secretariat capacity to support ESIC processes going forward				x	x	x	x	x	x	x	x						
Launch investment case approach; support DCPs to develop ESIC where ESP development is planned or underway, and actively engage with relevant government departments, MDBs, development partners, and the private sector with the aim to promote additionality, coordinated financing, co-financing, and leveraging opportunities to crowd in resources								x	x	x	x	x	x	x	x	x	x

B.2 LEVERAGE FUND

The Board paper proposes that GPE maintain a dedicated pool of resources – separate from resources for ESPDGs and ESPIGs – to incentivize DCPs to leverage other sources of external financing. This Leverage Funding Pool or “Leverage Fund” will serve multiple purposes. First, it will catalyze external financing in a coordinated way to support high quality education sector plans, in line with the ESIC approach outlined earlier. Second, the Leverage Fund will further crowd in non-traditional financing into the education sector (e.g., private sector investment, MDB financing). GPE grants will increase the concessionality of MDB loans and reduce the cost of lending for education sector investment. The Leverage Fund is a first step toward aligning GPE's operations with the MDB Investment Mechanism being championed by the Education Commission (*See the International Commission on Financing Global Education Opportunity's The Learning Generation report*). In particular, GPE's strong country relationships and ability to blend grant financing from the Leverage Fund with concessional lending resources from MDBs will enable a greater overall level of financing for education to GPE countries through the Investment Mechanism. As the Investment Mechanism takes shape, GPE's new Leverage Fund will enable the Partnership to gain further experience and impact with co-financing and "blend" financing arrangements with MDB's such as IsDB and IDA.

Access to this leverage funding will be conditional on countries demonstrating additionality and co-financing from external sources of at least \$3 for every \$1 of GPE grant funding received (a 1:3 leverage ratio). This ratio is comparable with the approach taken by the Global Financing Facility for Every Women Every Child. For example, to access \$25 million of GPE grant funding, there would need to be an additional \$75 million of external financing (e.g., from other development partners) available to create a larger \$100 million co-financed program.

Leveraging funding is envisioned to have two dimensions:

1. **Funding for non-ESPIG eligible countries:** The 22 lower-middle-income countries (LMICs) not eligible for an ESPIG MCA for 2018-2020 will be able to apply for dedicated leveraging funding through an application based competitive process.
2. **Funding for ESPIG eligible countries:** In the event that available resources are sufficiently high, the SFWG recommends that additional leverage funding be available to provide incentive-based top ups to ESPIG eligible countries under the same principles of leveraging at least US\$3 to US\$1 through co-financed programs. This could be done by

expanding eligibility to access the leverage pool or creating a separate pool for ESPIG eligible countries as a top up mechanism.

The SFWG endorsed the principle of an initial allocation of \$100 million for the Leverage Fund – which would only provide funding to non-ESPIG eligible countries that nonetheless still have substantial unmet education financing needs. It is expected this amount would enable 4-6 countries from the 22 GPE LMICs that are proposed as eligible to apply to access these funds, and an application-based approach to allocating the initial leverage funding will be developed during the course of 2017. The SFWG also endorsed the principle that the Leverage Fund should be expanded, contingent on a successful GPE replenishment process, to enable ESPIG-eligible countries to participate—i.e., to access funding incentives upon successfully meeting leveraging requirements of raising \$3 in incremental financing for every \$1 of leverage funding from GPE, over and above the ESPIG allocation. The size of the increase in the Leverage Fund, and the level of incentive accessible by ESPIG countries, will depend on replenishment outcomes.

The table below summarizes proposed the SFWG-endorsed, high-level eligibility for the Leverage Fund funding under various replenishment scenarios.

Country segment	Minimum replenishment	Sufficiently high resources
Low Income Countries (30)	<ul style="list-style-type: none"> • Eligible for ESPIG • Not eligible for Leverage Fund 	<ul style="list-style-type: none"> • Eligible for ESPIG • Eligible for Leverage Fund as an incentive
Small Island and Landlocked Developing States (18)	<ul style="list-style-type: none"> • Eligible for ESPIG • Not eligible for Leverage Fund 	
Vulnerable LMICS (19) – Less than \$2,000 GNI p/c and below 90% LSCR OR FCACs with Less than \$3,000 GNI p/c and below 90% LSCR	<ul style="list-style-type: none"> • Eligible for ESPIG • Not eligible for Leverage Fund 	

Other LMICs (22)	• Eligible for Leverage Fund	• Eligible for Leverage Fund
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The section below provides additional detail on the design of leveraging funding for non-ESPIG eligible LMICs. Subject to available resources being raised or made available for the 2018-2020 period in excess of the minimum financing required to operationalize the FFF, the Secretariat will develop a proposal for allocation of resources from the leveraging financing pool for ESPIG eligible countries and the process for application, for consideration by the Finance and Risk Committee and recommendation to the Board.

Leverage funding for non-ESPIG eligible countries:

Countries may apply for GPE leveraging funding through a competitive process to support implementation of education sector plans. To access the GPE leverage pool, eligible countries will need to meet GPE’s funding model requirements with respect to having a credible ESP, domestic resource mobilization commitments, and data. In addition, at least 30% of GPE resources should be linked to achievement of sector-wide results focused on learning, equity, and efficient and effective systems – in line with the GPE funding model. The country could opt to make the entire program (i.e., GPE resources and other external financing) follow GPE’s results-based model, if desired.

Further work on allocation methodology is underway. It will be important to ensure that the size of the combined financing package (GPE funding and other funding) is sufficiently large to justify the transaction costs involved in the design phase of the program and to generate interest from both the government and development partners. For example, allocation size could be \$25m for larger countries and \$12.5m for smaller countries.

If the Leverage Fund is approved by the Board, the Secretariat will need to develop a simplified methodology to determine the ceiling for individual country applications to the leverage pool.

It is not expected that sufficient financing will be available for all eligible countries nor will all countries be interested in applying. Should demand exceed supply, the Board could consider targeted financing to increase the resources available. Likewise, if demand is lower than funds available, the size of the pool could be reduced and re-allocated for other uses.

Indicative process:

If the Board a.) approves the existence of a Leverage Fund, b.) endorses the eligibility approach, and c.) approves an allocation methodology, an indicative process for countries to access funding could be:

1. Eligible countries invited to express interest in applying (first stage in reconciling eligible countries with resources available in the Fund)
2. Targeted outreach to interested countries to further explain the offering and requirements; confirm intention to apply; and identify high-potential external financing partners (second stage in reconciling supply with demand)
3. Interested countries work with external financing partner and in consultation with GPE Secretariat to develop a concept note for a proposal, which is quality assured
4. Promising concept note results in a country receiving a maximum country allocation from the Leverage Fund (prioritization criteria for a competitive process will be needed should there be more promising concept notes than resources)
5. External financing partner (typically would also be the Grant Agent) follows normal processes to develop an implementation program, which is reviewed and approved per normal processes

If the Leverage Fund is approved by the Board, the Secretariat will need to develop an application process for eligible countries to apply and receive funds from the Leverage Fund, delegating authority for approval of the methodology and process to the Finance and Risk Committee.

How can a country satisfy the leverage requirement?

The funding being leveraged should be demonstrably new and additional to what is already being provided in that country.

- GPE grant can be combined with grant funding from external sources
- GPE grant can be combined with highly concessional loan funding (e.g., IDA)
- GPE grant can be combined with non-concessional lending

As GPE is concerned with increasing international resources for education and ensuring they are aligned in support of the sector plan, the Partnership should be less concerned about how the leverage requirement is satisfied; therefore, flexibility is recommended. Provided the \$3 to \$1

minimum ratio is met, any of the above approaches should be considered suitable based on the preference of the country.

If approved, detailed design work will continue throughout 2017, with implementation and rollout of the Leverage Fund in 2018.