

**FINANCING AND FUNDING FRAMEWORK: RECOMMENDATIONS OF THE STRATEGIC FINANCING WORKING GROUP**

**For Decision**

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**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.*

**1. STRATEGIC PURPOSE AND BACKGROUND**

1.1 The purpose of this paper is to seek the Board's approval of the final Financing and Funding Framework (FFF) and the operational implications and roadmap for development and rollout of the FFF.

1.2 The FFF has been stress-tested, including by a group of experienced Developing Country Partners (DCPs) and is considered transformative, realistic and well within the capability of the full GPE partnership to deliver.

1.3 The FFF is to be considered as a whole, not as something that can be picked apart. The recommendations of the SFWG imply further detailed design and implementation work that will be the responsibility of the Secretariat and relevant committees. The SFWG recommendations should not be considered as in any way indicating replenishment ambition or targets.

**2. EXECUTIVE SUMMARY**

2.1 At the June 2016 Board meeting, the Board of Directors called for *'the design of an ambitious Financing and Funding Framework that includes a broader mix of funding mechanisms to help enable a more differentiated approach to GPE funding in order to achieve the goals and ambitious of GPE 2020, while also providing opportunities to mobilize additional financing from a wider*

*range of sources*'. At its December 2016 meeting the Board endorsed the architecture of the FFF, seeing it as offering the potential step-change needed to deliver on GPE 2020.

2.2 At this Board meeting (Washington DC, February 2017) the SFWG is recommending to the Board a comprehensive suite of reforms that – if agreed – will establish the FFF as the new Framework through which GPE will contribute to the achievement of equitable and quality education for all. This new approach (to commence in 2018) builds on the solid foundation of GPE's current operational model and theory of change, but positions GPE to play a broader role – drawing on the strengths of a growing partnership to mobilize more and better financing, ideas and commitment in support of educational achievement.

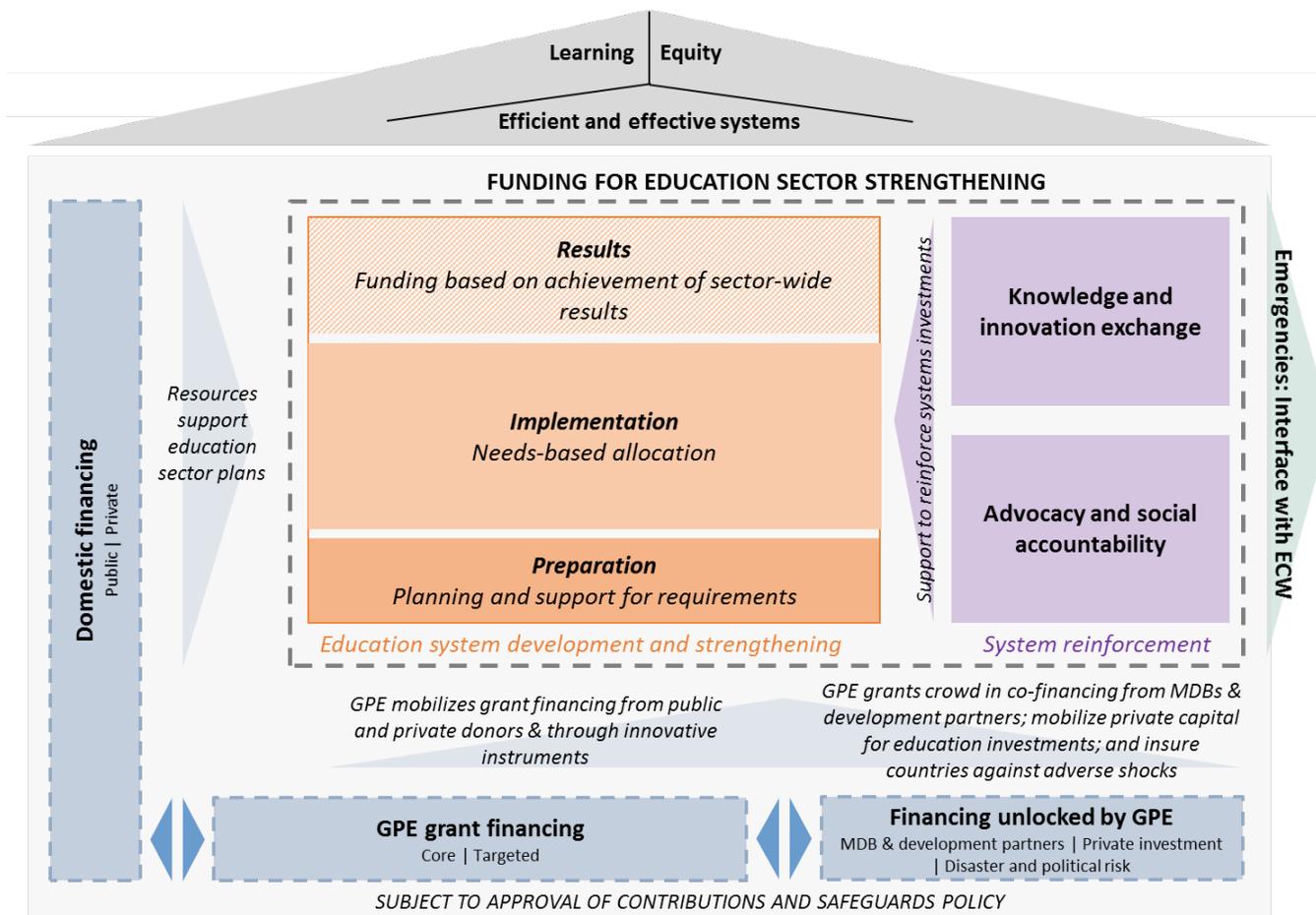
2.3 The FFF should be considered as an integrated whole, with a range of different approaches and mechanisms reinforcing each other in support of our overall goals. However, there are a number of key features of the FFF that are worth highlighting here. The FFF includes:

- **Planning for investment in support of the Education Sector Plan (ESP)** – GPE will expand its role to act as a facilitator of more and better-structured financing in support of education outcomes. This will include working with countries to build an 'Education Sector Investment Case' and bringing investors together to secure commitments. The full range of financing capabilities and assets that exist across the Partnership will be utilized. [*Education Sector Investment Case; Leverage Fund*]
- **Crowding financing into the education sector** – In addition to more coordinated financing the GPE will increase the focus on *co-financing* and additionality, more actively promoting use of grants to leverage financing from other sources – *MDBs, development partners, and private investment* – and identifying and removing obstacles to more joined-up financing approaches with partners.
- **Strengthened support for domestic resource mobilization** – A clear process for monitoring domestic resource commitments through the core operational model will be complemented by support for advocacy for more and better financing at the global and country level. Through an increased focus on leveraging and co-financing– and support for *Education Sector Investment Cases* – GPE will strengthen engagement with Ministries of Finance and its focus on resourcing of the Education Sector Plan.
- **Enhancements to the core operational model** – Strengthening education systems remains at the center of GPE's work and continuous improvement of the model will better position GPE to contribute to results and improve the impact of its support on the wider education sector.

These features are a combination of work-streams already underway as well as some specific recommendations emerging from the SFWG's discussions. *[ESPIGs]*

- **Development and sharing of global public goods** – The step-change needed to deliver quality education for all requires innovative approaches and sharing and application of knowledge tools. Recognizing the significant gap in financing for public goods in the sector, GPE will harvest and share the experience from across the partnership and work with new partners to find innovative approaches to overcome key policy challenges when needed. *[Knowledge and Innovation Exchange]*
- **Promoting transparency, accountability and social mobilization** – Increased support for education will also be critical to achieving transformative change. GPE will support partners to promote the political will needed for good policies, sound practices, inclusive approaches, and more and better financing, at both the global and country level. *[Advocacy and Social Accountability Mechanism]*

**Figure 1: Overarching view of the GPE Financing and Funding Framework<sup>1</sup>**



<sup>1</sup> Work on the feasibility of Disaster and Political Risk Financing is ongoing and scheduled for June 2017 and is included in the figure for illustrative purposes. It is not part of the SFWG’s recommendations on the FFF and therefore any Board decision to approve the FFF as outlined in this paper does not imply approval of Disaster and Political Risk Financing.

### 3. RECOMMENDED DECISIONS

3.1 The SFWG recommends the Board approve the following decision:

**BOD/2017/03-XX–Financing and Funding Framework**: The Board of Directors:

1. Approves the Financing and Funding Framework as described in BOD/2017/03 DOC 03, recognizing that to successfully deliver on the ambition of GPE 2020 requires a significant increase in domestic, international, and GPE financing, combined with delivery mechanisms that respond to differentiated developing country partner needs at both the global and country level.
2. Notes the importance of finalizing the operational details of the Financing and Funding Framework to ensure a timely rollout following GPE’s replenishment campaign for the 2018-2020 period.
3. **Education Sector Investment Case.** Recognizing GPE 2020 strategic objective of “more and better financing,” and the need to increase and better align domestic, international and GPE’s own financing:
  - a. **Agrees to GPE working with countries to develop an Education Sector Investment Case** in support of credible education sector plans as outlined in BOD/2017/03 DOC 03 Annex 1, and to the Secretariat’s active engagement with all relevant partners to achieve greater additionality, coordinated financing, co-financing, and leveraging to crowd in resources to finance the education sector plan. The Education Sector Investment Case will draw on countries’ financing framework and implementation plan.
  - b. Notes that the investment case approach therefore implies a larger role for GPE in a.) translating education sector plans and policy to investment opportunities; b) convening relevant financiers to facilitate participation in country-level transactions; and c) using GPE capabilities and resources to leverage better-structured and/or more harmonized and aligned financing; and will require investment in differentiated skill sets and increased country support, requests the Secretariat to develop a proposal in consultation with relevant partners and committees for how it will roll out these efforts in as efficient and effective a manner as possible and report to the Board by the end of 2017.
4. **Leverage Financing.**<sup>2</sup> Recognizing the need to improve prospects for co-financing and leveraging additional resources, and considering the potential for substantial additional resources for education via the IDA replenishment:

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<sup>2</sup> N.b. also relevant to BOD/2017/03 DOC 04 – Eligibility, Allocation and Proportionality)

- a. Requests the Secretariat to work with country level partners and in particular Grant Agents to identify prospects for greater co-financing and leveraging, and to work to identify remaining obstacles and remove existing obstacles such as alignment of quality assurance processes, and timing of applications that impede such approaches.
- b. Further requests the Secretariat to report on such efforts to the Grants and Performance Committee on a semi-annual basis.
- c. Determines to create a minimum provision of US\$100 million for a Leverage Fund as described in BOD/2017/03 DOC 3 - Annex 1 that may be accessed by Lower Middle Income Countries that:
  - i. Are not eligible for a Maximum Country Allocation for an Educator Sector Program Implementation Grant.
  - ii. Meet GPE's funding model requirements around domestic financing, data, and credible education sector plans.
  - iii. Demonstrate additionality and co-financing from external sources of at least US\$3 for every US\$1 of GPE grant funds.
  - iv. Ensure at least 30% of GPE funds are subject to GPE's results based funding approach.
- d. Requests the Secretariat to develop a simplified methodology to determine the ceiling for individual country applications to the Leverage Fund, and finalize the 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.
- e. Subject to available resources being raised or made available for the 2018-2020 period in excess of the minimum financing required to operationalize the Financing and Funding Framework, and based on prioritization criteria to be developed, the Board of Directors:
  - i. Agrees to either expand the size of the Leverage Fund or create a separate Leverage Fund that may be accessed as a top up to the maximum country allocations for ESPIG-eligible countries that can demonstrate co-financing of GPE grant resources and leveraging of external financing of at least US\$3 to US\$1 of any GPE funds accessed from the Leverage Fund.
  - ii. Requests the Secretariat to develop a proposal for allocation of resources from the Leverage Fund and the process for application, for consideration by the Finance and Risk Committee and recommendation to the Board.

5. **With regard to Education Systems Development and Strengthening:**

- a. **Endorses the approach to strengthen GPE's efforts to support and strengthen education systems development** as outlined in this paper as well as in BOD/2017/03 DOC 3 - Annex 1, requesting the Secretariat and relevant Committees to accelerate progress in advance of the replenishment.
- b. **Emphasizes the criticality** of successfully implementing the funding model through urgent actions aimed at:
  - i. Improving accountability for domestic financing commitments. The Board requests the Secretariat to develop a process for monitoring domestic resource commitments made as a basis for satisfying the requirements of an approved ESPIG application and for the Grants and Performance Committee to approve this process, and to propose for the Board's approval a policy for taking appropriate action where the commitments are not being met by the end of 2017.
  - ii. Ensuring data plans are adequately financed. **The Board approves modified funding model requirements** so that for countries applying from 2018 that require a plan to address data gaps (including gaps in learning outcome data), and for which financing to implement that plan within the agreed timeline is not identified by the time of the application, the ESPIG grant must finance the unfinanced portion of the data plan.
  - iii. Clarifying responsibility and optimizing approaches for capacity building and technical assistance including in fragile and conflict affected states, requesting that this work be incorporated into the work tasked under **BOD/2016/12-19** to commission an examination of the efficiency and effectiveness of Grant Agents, Coordinating Agencies, and LEGS to deliver on GPE 2020.
  - iv. Identifying and removing obstacles that reduce prospects for co-financing particularly with IDA, and deploying existing and potential GPE levers such as supporting Education Sector Investment Cases to incentivize aligned modalities for aid delivery in education.
  - v. Improving guidance on variable funding through stronger linkages with transformative strategies within Education Sector Plans, focused action to strengthen variable tranche indicators and data, a strengthened approach to quality assurance for the variable funding tranche, and the development of tools and

guidance through the Knowledge and Innovation Exchange focused on enhancing achievement of stretch targets.

- vi. Strengthening the focus on resilience and preparedness especially for Fragile and Conflict Affected Countries within ESPIG and ESPDG guidelines and also the assessment of credible plans. Furthermore, incorporating this topic within Knowledge and Innovation Exchange design work, and finalizing analysis on applicability of risk financing instruments based on on-going work.
- vii. Developing 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 before the end of 2017

**6. With regard to Knowledge and Innovation Exchange:**

- a. **Approves the establishment of a Knowledge and Innovation Exchange funding mechanism.** The mechanism emphasizes the importance of accelerating progress towards GPE 2020 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 to develop global public goods.
- b. Requests the Secretariat to commission a design of the Knowledge and Innovation Exchange mechanism aimed at advancing knowledge, innovation and exchange of good practice across the Partnership as envisaged in BOD/2017/03 DOC 3 - Annex 1. The design process will be overseen by the Strategy and Impact Committee in 2017 before submission to the Board for approval in December 2017. The design should take into account the following:
  - i. It should be financed from both unrestricted and targeted contributions.
  - ii. It should focus primarily on global level activities and public goods based on the understanding that in-country knowledge and innovation efforts are better supported primarily via the Education Sector Plan and domestic financing or Education Sector Program Implementation Grant processes.
  - iii. It should be designed to attract non-traditional actors into GPE's work, including the private sector. Partnerships with the private sector would be in accordance with the Private Sector Engagement Policy.
  - iv. It should be designed to avoid fragmentation and with due attention for ensuring transaction costs are limited including maintaining associated Secretariat operating expenses within a range of 5-7%.

- v. It should be designed to allow for mixed implementation modalities, depending on the theme or specific policy challenge.

**7. With regard to Advocacy and Social Accountability:**

- a. **Approves the establishment of a funding mechanism for Advocacy and Social Accountability.**
- b. Recognizing the need to support efforts to realize GPE 2020 Goals 2, 4, and 5 by promoting accountability, transparency and social mobilization efforts across members of the Partnership, requests the Secretariat to commission a design for advocacy and social accountability mechanism as envisaged in BOD/2017/03 DOC 3 - Annex 1. The design process will be overseen by the Strategy and Impact Committee in 2017 before submission to the Board for approval in December 2017. The design should take into account the following:
  - i. The program at country level will be a successor program to the Civil Society Education Fund III program but will also seek to diversify partners and incorporate new areas of work including citizen feedback, participatory methodologies towards helping public sector institutions to address policy, strategy and implementation challenges.
  - ii. The program at global level will bring together consortia of actors who may otherwise not come together in the education space or include other actors from different sectors, to work collaborative and respectively on global and transnational activities that bear on GPE country level work particularly in the areas of aid effectiveness, finance and cross-sector synergies.
  - iii. It should be financed from both unrestricted and targeted contributions.
  - iv. It should be designed to avoid fragmentation and with due attention for ensuring transaction costs are limited including maintaining associated Secretariat operating expenses within a range of 5-7%

**4. GPE'S ROLE IN GLOBAL EDUCATION**

**4.1 GPE's vision is to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.** This is in recognition of the bold action required to achieve the targets set by Sustainable Development Goal 4 on Inclusive and Equitable Quality Education and the results framework of the GPE 2020 Strategic Plan.

**4.2 The FFF provides GPE with an enhanced suite of capabilities to strengthen its role as a driver of systems transformation and a platform for broad-based collaboration in education– at both the country and global levels.** The FFF:

- Recognizes that the ambition captured in GPE 2020 and the scale of the education challenge – as detailed by the Education Commission’s report, *The Learning Generation* – signal the need for **significantly increased resources** and more catalytic interventions to deliver results beyond what GPE and its partners can currently achieve.
- Aims to better leverage GPE’s role and relationships – both globally and in country – to crowd in knowledge and financing from a wider range of actors.
- Seeks to stimulate stronger global and local advocacy in support of countries’ ambitious efforts to realize learning outcomes for children.
- Sees GPE’s role extend well beyond direct provision of technical assistance and financing.

**4.3 At the global level, GPE will drive education systems strengthening by mobilizing and pooling new and traditional resources from donors into the GPE Fund, increasing support for advocacy on key priorities, and supporting cross-national exchange of knowledge and innovation.** This builds on GPE’s role as a global champion of efforts to deliver on SDG4.

**4.4 At the country level, GPE will better leverage its experience and existing relationships to support countries in developing and implementing their education sector plans.** On the funding side, reinforcement of the GPE funding model – through both far reaching **enhancements** and drawing on the tools, products and ideas generated by **new mechanisms** in the areas of **innovation and knowledge exchange** and **advocacy and social accountability** – will drive the development and implementation of high-quality education sector plans. On the financing side, GPE will support countries to crowd in resources for the implementation of these sector plans through a strengthened “education sector investment case” approach (*see section 5 below for additional detail*). Overall, the FFF aims to reinforce the country-level funding model – and facilitate alignment of other actors who support this work.

## **5. GPE’s TOOLS: THE FINANCING AND FUNDING FRAMEWORK**

**5.1 The FFF puts forward an integrated set of tools necessary for GPE to better serve as a platform for education system strengthening and to facilitate collective action in support of evidence based national strategies for universal quality**

**education.** The FFF provides a flexible set of financing and funding opportunities for countries while supporting global exchange of knowledge and innovation across the Partnership. This reinforces the idea that transformation across all GPE countries cannot rely on a "one-size-fits-all" approach – but countries and their partners can learn and benefit from each other. Moreover, the FFF also promotes coherence across these funding and financing options in order to ensure alignment with national education sector plans and streamline operations.

**5.2 Overall, the FFF enables GPE to make investments that are more powerful and have greater impact when GPE partners pursue them together.** It builds on GPE's strengths and optimizes its ability to achieve GPE 2020 goals – and more – by providing a broader set of levers to drive education system transformation. Figure 1 above presents the overarching view of the FFF – including the diverse array of approaches necessary for GPE to evolve and deliver on its ambitious goals.

### **New and improved financing approaches included in the FFF**

**5.3 The FFF will help GPE mobilize more and better financing by expanding the range of financing sources available directly for GPE grants and for aligned country-level investments.** As agreed in BOD/2016/12 DOC 08A, the FFF will enable GPE to leverage new and better structured forms of financing for education, including: co-financing of country-level education programs with multilateral development banks and other development partners; crowding in of private investment capital to strengthen education sector outcomes; and pending further work on its feasibility and applicability to GPE, and subject to Board approval at a later date, disaster and political risk financing to sustain progress even in the face of crisis. The FFF will also enable GPE to become more flexible in accessing or mobilizing new resources for education, including through domestic public expenditures, private sources, and targeted financing from donors.

**5.4 Specifically, the FFF will include three complementary financing approaches:** (i) ***GPE grant financing*** (unrestricted and targeted), (ii) ***financing leveraged by GPE***, and (iii) ***domestic financing***. Across these approaches, GPE's role involves pooling unrestricted and targeted resources from a diverse set of donors (e.g., into the GPE Fund); using dedicated GPE grant resources to leverage other harmonized sources of financing (e.g., from MDBs); and acting as a facilitator to help countries crowd in more resources (e.g., private investment) behind ESPs. These approaches therefore reflect GPE's role not only as a provider of external financing, but also a facilitator and platform to help coordinate more and better-structured financing for education in GPE countries.

**5.5 Central to these approaches are efforts to strengthen GPE’s support to DCPs in crowding in harmonized and aligned financing for the implementation of ESPs – here-on referred to as the “education sector investment case” approach.** GPE will progressively integrate this approach into existing country-level processes applicable to all countries receiving an ESPDG. As part of this approach, GPE will work closely with DCPs to:

- Build an investment case. Based on the policy priorities set by the ESP, GPE will help countries develop an “investment case” that clearly articulates the opportunities and benefits of investing in education in each country – for various types of financiers. This “investment case” will be consistent with and build from the costing and funding commitments included in the multi-year action plan of an ESP. It will present a wider narrative on the state of the country’s education sector, opportunities for investment, and potential social and economic returns.
- Convene financiers to facilitate investment. Building on GPE’s current work, GPE will actively leverage capabilities and expertise across the Partnership to bring funders and investors together and to secure commitments to activities within the ESP. Experience shows that this rarely happens without active engagement. The ESP itself is simply insufficient. Accordingly, GPE will build greater capacity in the Secretariat to carry out this approach successfully and with accountability. This includes liaising with the Ministry of Finance; actively engaging multilateral and bilateral institutions working in-country; and enabling private investment and private grant contributions in support of the ESP. To facilitate this investment, GPE can draw on existing country-level processes as well as its strong relationships with partners and potential financiers.
- Use GPE capabilities to promote leveraging. At country-level, GPE will encourage DCPs to use every US\$1 of GPE financing to secure additional external financing in support of the Education Sector Plan such as co-financing with MDBs, coordinated financing with development partners, and unlocking private capital, to support the implementation of education sector plans.

To help achieve a target of leveraging roughly US\$3 for every US\$1 of GPE finance, the Partnership will support a broader range of options to help DCPs leverage GPE grants by working with partners to actively remove global constraints to these leveraging options. – (e.g., reducing the transaction costs of GPE-IDA co-financing arrangements). At a global-level, GPE will set targets for co-financing and coordinated financing across all GPE grants and regularly track progress.

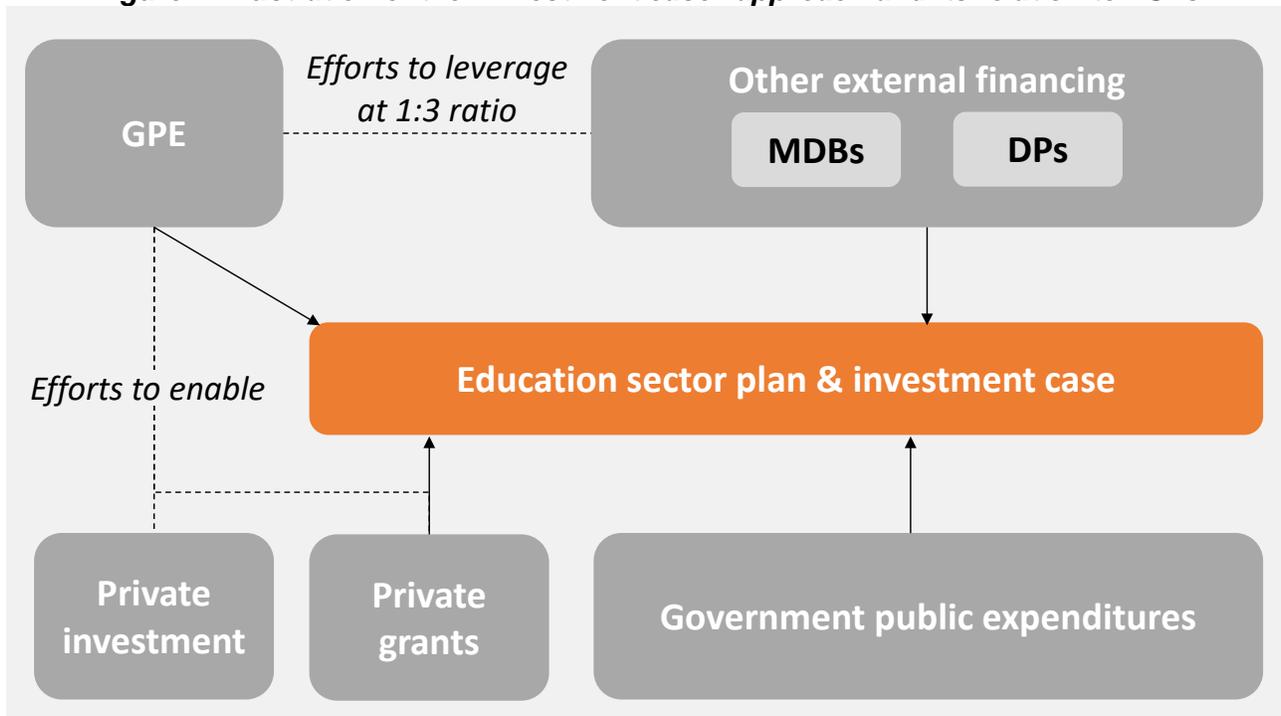
In addition, GPE will better leverage the full range of financing capabilities and assets that already exist across members of the Partnership – from the ability to deploy guarantees to expertise in donor co-financing (*for additional information, please see the FFF Background document – Select Topic Briefings*). As part of this approach, GPE will proactively engage members of the partnership to contribute to specific funding arrangements (e.g., setting up a country-level grant platform) or transactions (e.g., deploying a guarantee to leverage private capital) alongside the traditional grant financing of ESP activities. This proactive “matchmaking function” will enable new forms of financing – and help monitor the development partner financing requirement of the GPE funding model.

- Use GPE grant resources strategically to achieve leveraging. Lastly, GPE will maintain a dedicated pool of resources – separate from ESPDGs and ESPIGs – to support DCPs interested in leveraging other sources of external financing. Access to this funding will be conditional on countries leveraging US\$3 of additional external co-financing for every US\$1 of GPE funding received (a 1:3 leverage ratio). The Leverage Fund will have two components. First, non-ESPIG eligible lower-middle income countries will be able to apply for dedicated leveraging funding through a competitive process. Second, conditional on a successful replenishment outcome, GPE will provide incentive-based leveraging funding – beyond ESPIG MCAs – to ESPIG-eligible countries who meet the 1:3 leverage requirement (*additional detail on leveraging funding is provided in the Eligibility, Allocation and Proportionality BOD/2017/03 DOC 04 and also BOD/2017/03 DOC 3 - Annex 1 to this paper*).

**5.6 The investment case approach therefore implies a larger role for GPE in a.) translating education sector plans and policy to investment opportunities; b.) convening relevant financiers to facilitate participation in country-level transactions; and c.) using GPE capabilities and resources to leverage better-structured and/or more harmonized and aligned financing.** A credible ESP – with a multi-year action plan that specifies the cost of each activity and the source of funding – serves as the foundation for this investment case approach.

**Figure 2 below shows a high-level depiction of the investment case approach and its relation to the ESP.** Annex 1 also contains additional detail on *how* the investment case approach would work and the roadmap for GPE to develop and roll out this function.

**Figure 2: Illustration of the “investment case” approach and its relation to ESPs**



**New and improved funding mechanisms included in the FFF**

5.7 **The FFF both improves upon GPE’s current funding model and establishes complementary funding windows to enhance the role of evidence and accountability within the operating model.** By evolving GPE’s approach to better address challenges across a range of educational needs, the FFF combines both operational reforms and entirely new approaches.

5.8 **The FFF features an enhanced version of the core mechanism for disbursing funds: the Education Sector Program Implementation Grant (ESPIG).** This enhanced version of the ESPIG will include stronger provisions for domestic resource mobilization (DRM) requirements; improved approaches for ensuring countries have the education data systems in place that they need; improved alignment of GPE funding, and support to improve the alignment of international financing for education with national systems; improvements to regional approaches for funding; enhancements to how the results-based (variable part) funding component is designed and executed and enhanced approaches to strengthening national capacity in GPE’s support to national systems. For additional detail on these recommended enhancements, please see Annex 1.

5.9 **To reinforce the operating model, the FFF introduces funding mechanisms in the areas of *knowledge and innovation exchange* and *advocacy and social***

**accountability.** It is also anticipated that new mechanisms may be introduced to help countries affected by conflict or emergency. As discussed in the financing sector below, efforts are underway to explore the feasibility of disaster and policy risk financing to provide rapid support to DCPs in the event of an emergency. Design work is also underway on how, or if, GPE will adapt its funding mechanisms to realize greater synergies with Education Cannot Wait.

**5.10 Knowledge and innovation exchange:** The new mechanism for funding knowledge and innovation exchange is the product of much work and stress testing by the SFWG, Secretariat and Dalberg and takes into consideration reflections from the first phase of KGPE. In seeking to address the underinvestment within the education sector in global public goods, the SFWG was also mindful that any global level mechanism needed to avoid micro-activity and high transaction costs. The SFWG recognized that knowledge exchange and innovation are both critically important to invest in, are intrinsically different but also most effective when linked. Hence the combining into one mechanism rather than two separate ones and the need for a new strategy and overarching design. Knowledge and Innovation Exchange will accelerate progress towards *GPE 2020* goals by building and harnessing GPE members' knowledge and innovation capacity. Catalytic partnerships with non-traditional actors and vibrant exchange both within and beyond the Partnership will bolster and amplify these efforts. This mechanism will provide support for knowledge, innovation, and their exchange to support adoption of cutting edge solutions to key policy challenges identified as central to the delivery of GPE 2020. Building upon the thematic priorities identified in GPE's knowledge and good practice exchange strategy, the knowledge and innovation mechanism will be driven by needs identified by GPE developing country partners. Funding will be primarily support global-level and cross national activities, reinforcing the in-country investments in knowledge and innovation made through the ESPDG and ESPIG and with governments' own financing. The mechanism will be designed to attract non-traditional actors into GPE's work, including the private sector (in accordance with the Private Sector Engagement Strategy that will be submitted to the Board for approval in December 2017). From an operational standpoint, GPE will implement the knowledge and innovation exchange through a wholesale model that uses implementation partners to minimize administrative costs. Lastly, the mechanism will use a variety of modalities (e.g., competitive calls for global public goods; challenge funds; research partnerships) selected based on analysis of the specific thematic policy challenge and GPE's comparative advantage within the wider global ecosystem of education partners.

5.11 The SFWG is mindful that the Strategy and Policy Committee has been looking at policy and operational implications of knowledge exchange for some months. However, reflecting on the lessons from Phase 1 of KGPE implementation, and mindful of the desire to scale-up GPE's

investment in research and global public goods, the SFWG is recommending a shift away from the current implementation approach that has entailed high transaction costs. The development of the new FFF, and a new replenishment period, provides a better opportunity to initiate the proposed wholesale approach than was possible mid-way through the current replenishment and prior to a Contributions and Safeguards Policy being in place. A brief summary of the SPC's latest conversation is included in the text box below.

**The Strategy and Policy Committee reviewed the Knowledge and Good Practice Exchange concept note and provided the following comments during its face-to-face meeting on January 31, 2017.** Specifically, the SPC:

- Affirms the importance of Knowledge and Good Practice Exchange (KGPE) GPE activities in 10 thematic areas which are aligned to the three goals and five objectives of GPE 2020 and which will contribute to achievement of GPE 2020 results.
- Recommends that a minimum threshold of US\$5,000,000 of funding over three years be set as the floor for launching any further KGPE initiatives.
- Reaffirms the commitment to allocate a minimum of 5% of the value of estimated annual GPE funds to support KGPE activities.
- Reaffirms the importance of providing core funding for KGPE.
- Requests the Secretariat to prepare a prioritization mechanism for the Strategy and Impact Committee (SIC) to consider in April 2017 that will specify the number, topic, and sequencing of future KGPE initiatives.

5.12 ***Advocacy and social accountability:*** In addition to the new funding window for Knowledge and Innovation Exchange, the FFF will also support efforts to realize GPE 2020 Goals 2, 4, and 5 by promoting accountability, transparency and social mobilization across members of the Partnership. This funding mechanism will consist of two complementary programs – one that focuses on country-level social accountability and one that advances global and transnational advocacy. The country-level program will build on the CSEF III program by diversifying partners and incorporating new areas of work, including citizen feedback and participatory methodologies to help public sector institutions address policy, strategy, and implementation challenges in education. Target recipients include non-governmental organizations, think tanks, research organizations, university departments, and other individual civil society organizations. The global-level program will bring together consortia of actors – who may not regularly interact in the education sector or come from entirely different sectors – to work collaboratively on global and

transnational activities that impact GPE country-level education outcomes. Particularly relevant areas of focus for the global and transnational advocacy window include aid effectiveness, finance, and cross-sector development synergies. Target recipients will be consortia that include civil society, academia, think tanks, and the media. GPE will operationalize both programs through grant agents to streamline operations. Moreover, the implementation structure will ensure coordination across grant agents, reinforcement of GPE's operating model and alignment to thematic knowledge and innovation programs in order to realize synergies.

5.13 **GPE's gender equality strategy** will be reinforced through these funding mechanisms: first, it's anticipated that gender equality will remain as one of the six thematic focal areas for knowledge and innovation exchange. Second, the potential for gender equality to be developed as a thematic focus for the Advocacy and Social Accountability window will be explored. GPE will also continue to execute on all the deliverables in the Gender equality strategy, including work to reinforce gender equality components in all of its grant making activities.

5.14 For additional detail on the design of these two reinforcing mechanisms, see BOD/2017/03 DOC 3 - Annex 1.

## **6. OPERATIONAL IMPLICATIONS AND THE ROADMAP FORWARD**

6.1 **At country-level, the FFF's more diverse array of financing sources and more differentiated funding mechanisms imply both changes and enhancements to current processes.** Under the FFF, countries will have benefit from multiple GPE funding mechanisms beyond the implementation grant (e.g., ESPIG). A greater number of non-state actors will also be eligible for the new funding mechanisms (pending the approval of the Private Sector Engagement Strategy). Similarly, interested countries will have the option to work with GPE to access more diverse sources of financing to support the ESP in a harmonized and coordinated way, such as more systematic MDB co-financing and ESP-aligned private investment. These funding and financing approaches could add some complexity beyond the needs-based GPE implementation grant (e.g., ESPIG).

6.2 **Therefore, implementation of the FFF will require increased capacity, expertise, planning, coordination, and consultation across the Partnership – including for DCPs, LEGs, and Grant Agents.** On the funding side, enhancements to the core ESPIG funding mechanism will have some capacity implications on DCPs, Grant Agents, Coordinating Agents, and local education groups to comply with the strengthened provisions. Accessing [reinforcing funding \(KIX and ASA\)](#) would be optional. On the financing side, participation in new financing approaches will require additional time and effort from DCPs – as

well as an understanding of the tools being deployed. In particular, the proposal to adopt an “education sector investment case” (ESIC) approach increases capacity requirements for the Secretariat, DCPs, and potentially LEGs – but offers benefits in return. These include: more and better-structured financing; potential to rally local and global actors around the education sector plan; enhanced alignment across funders and reduced aid fragmentation; and increased country ownership of financing coordination. Given the transaction costs, while enhancements to the ESP process to support the ESIC approach will be rolled out for all countries developing new ESPs, processes for mobilizing additional financing would be demand-driven. The Secretariat may consider rolling out this approach in a few countries in 2018 to help build an evidence base before scaling up. Regardless, GPE should aim to support partners with the capacity development and technical assistance required to access the FFF offerings. The work to review the efficiency and effectiveness of the in-country model and partners (grant agents, coordinating agencies, and LEGs) will be an important first step to identifying current technical assistance and capacity support provided, and potential additional needs.

**6.3 Supporting the Partnership to mobilize and deploy resources in new ways will require incremental Secretariat expertise and capacity.** For financing, capacity increases will help strengthen Secretariat expertise in development finance and management of partnerships with non-traditional donors and financing partners. The former will be essential to provide strategic and technical guidance to DCPs and actively facilitate the “education sector investment plan” process to help DCPs crowd in more diverse sources of financing. For funding, new resources will likely be required to oversee knowledge and innovation exchange and advocacy and social accountability mechanisms. The Board has requested that the Secretariat conduct further analysis on its capacity needs to deliver on GPE 2020 – including the implications of the FFF, ECW, and replenishment scenarios with a view toward seeking greater efficiency. Therefore, the Secretariat will submit a comprehensive Human Resources Plan for the Board’s consideration in June 2017 alongside the FY18 operating expenses budget. No additional resources will be requested of the Board at the upcoming February Board meeting.

**6.4 Although successful implementation of the FFF will require new efforts and investments, GPE aims to keep Secretariat operating expenses across the FFF within a range of 5-7% of total expenditure.** This is consistent with current Secretariat administration and operational costs. Overall, the FFF aims to better connect appropriate sources of finance to key needs at the country and global levels, without adding undue transaction costs.

**6.5 Lastly, operationalizing the FFF will not require any changes to GPE governance or asset management.** However, if the Board approves the proposed

Contributions and Safeguards Policy, GPE may need to update financial management procedures in the Secretariat to allow for acceptance of targeting financing. Institutionally, the implementation of the FFF does not require any alterations to the GPE Fund or the role of the Trustee at the World Bank. Nonetheless, alternative institutional arrangements could potentially enhance implementation by opening up a wider range of operational strategies and partnership options.

**6.6 Initial financial costing estimates imply minimum financing needs of ~US\$600M for 2018, increasing to ~US\$700M in 2019 and ~US\$800M by 2020.**

However, these amounts are likely to change based on decisions related to eligibility and allocation and should not in any way be assumed as GPE's replenishment target.

**6.7 Launching the FFF in January 2018 will require continued efforts throughout 2017.** This includes a considerable amount of knowledge gathering and analytical work to further refine the design of the FFF and make decisions regarding operational features. For additional detail, please see the detailed roadmap in BOD/2017/03 DOC 03-Annex 2.

**6.8 Close coordination and collaboration between GPE, ECW and the Finance Commission's MDB Investment Mechanism will be very important.** As at the time of finalizing this paper, ECW, The Financing Commission and GPE have been working on ensuring a coordinated approach to their respective operations. The text box below includes some draft language that the three entities are developing to provide an overall framing for this collaboration. The GPE Board Chair and CEO will update the Board on further progress at the Washington, D.C. meeting.

## DRAFT FRAMING FOR GPE/ECW/MDBIM

*The world now has the global financing tools to drive a new and sustained effort on education. In order to maximize external investments in education, three innovative mechanisms that complement and strengthen one another can help to mobilize and deliver more effective and significantly increased support for education: the Global Partnership for Education's new Financing and Funding Framework, the Education Financing Commission's Multilateral Development Bank Investment Mechanism and the Education Cannot Wait Fund. While serving different purposes, these are inherently complementary, are operationally coordinated, and together will play a key role in delivering on SDG 4.*

*GPE provides the means for countries to develop robust national education strategies, using the strongest evidence and most effective innovations. These strategies provide the framework for joint cooperation among governments, donors, private sector and civil society, and improve accountability for concrete results in education. For the poorest countries, GPE provides critical grant financing to ensure that the building blocks of effective systems – good data, national implementation capacity, regular monitoring and a focus on outcomes for learners – are in place.*

*Countries facing the worst crises can rely on emergency support from the Education Cannot Wait Fund, when the resilience planning supported by GPE is not enough to overcome the challenges of acute humanitarian situations. By injecting much needed emergency resources into education when catastrophes force children on the move, destroy their schools or make schooling impossible, ECW helps ensure continuity so that schooling is not disrupted. Working together, ECW and GPE can bridge the divide from humanitarian disaster to recovery and development by providing a common framework for transitional support.*

*Even with these grant resources, significant new financing will be needed to address the gaps: the MDB investment mechanism will bring new money from the MDB financial system to finance country plans and other education efforts. By unlocking the financial capital of multilateral development banks to support education, the MDB investment mechanism can mobilize significant new untapped resources while ensuring a stronger impact by using the investment frameworks provided by GPE and ECW.*

**7. PLEASE CONTACT** Charles Tapp [ctapp@globalpartnership.org](mailto:ctapp@globalpartnership.org), or Pdraig Power [ppower@globalpartnership.org](mailto:ppower@globalpartnership.org) for further information.

## **8. ANNEXES AND FURTHER INFORMATION**

The following four annexes are appended to this paper to provide more technical and background information. In addition, the [Board meeting registration site](#) contains some further financing descriptions of a technical nature.

Annex 1 - Technical Annex

Annex 2 - Operational Feasibility and Roadmap

Annex 3 - Assessment of GPE's Financing and Funding Framework

Annex 4 - ECW Interface: Implications for GPE