



CHIEF EXECUTIVE OFFICER'S REPORT TO THE BOARD OF DIRECTORS

For Information

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1. OVERVIEW

1.1 The success of the Global Partnership for Education's Financing Conference in Dakar was the unprecedented high-level political support demonstrated for global education and GPE. Ten current and three former heads of state, more than 100 ministers, and 1,200 participants from across the globe, including leaders of the major multilateral partner organizations, joined forces and delivered a powerful new collective commitment to education. Leaders repeatedly emphasized that investing in education is a foundation for national and global security and prosperity. Donor pledges of US\$2.3 billion represent a significant boost in financing for GPE – an additional US\$1 billion compared to the US\$1.3 billion in donor financing received in the previous three years. Domestic financing featured strongly with more than 50 developing country partners committing a total of US\$110 billion in public expenditures for education, up from US\$80 billion over the previous period.

1.2 Immediately following the Financing Conference, GPE began to put the additional finance to work. Since the Financing Conference, the Board has approved nine implementation grants. By the end of the year, 20 implementation grants are projected to be approved – almost double the number in the previous two years combined. In May, GPE welcomed the Republic of the Union of Myanmar and Cabo Verde into the partnership, growing the number of developing country partners to 67, and the Board appointed Serigne Mbaye Thiam, Minister of National Education in Senegal, as the first Vice Chair of GPE. Minister Thiam's appointment recognizes his remarkable achievements in improving the education system in Senegal, his global leadership advocating for the right of all

children go to school and learn as well as his extraordinary support to GPE over the years, including his instrumental role in ensuring the success of the Financing Conference. Boosted by our replenishment, GPE will now be able to more than double funding allocations to support the implementation of quality education sector plans.

1.3 Building on the political success in Dakar, the replenishment campaign continues as GPE makes further progress to reach our goal of US\$2 billion a year by 2020, recommended by the International Commission on Financing Global Education Opportunity in 2016. This includes new finance leveraged by the GPE Multiplier, which is attracting growing interest from developing country partners. Several donor governments signalled additional pledges are to be made over the coming year, and already the United States Congress has allocated an increased contribution of US\$87.5 million.

1.4 The Board is meeting at the midpoint of GPE 2020. Overall, the agenda is very deliberate in its focus on the key strategic issues facing the partnership and the capabilities needed to deliver on our collective commitment to improving equity, learning outcomes, and a strong country model. In addition to reviewing the outcomes and lessons learned from the replenishment, the Board will be asked to consider how to:

- respond to the issues and opportunities identified in the Results Report 2018 and the Effective Partnership Review;
- manage GPE funds more effectively and strengthen the partnership's approach to risk management;
- improve the operation of the GPE Multiplier, including options for scaling up, eligibility, and the allocation model;
- further reduce transaction costs and improve the efficiency of education sector program implementation grant application and approval processes; and
- set a course for taking a decision on the capabilities and institutional arrangement that GPE needs to deliver on GPE 2020 and beyond.

1.5 The Results Report, the Effective Partnership Review, and the review of GPE's institutional arrangements provide a significant volume of data and information to prepare the partnership for strengthened delivery. Buoyed by our success in Dakar, it is time to lean in and work together to harness our collective talents and resources to make a real difference to the lives of millions of children around the world.

2. GPE'S FINANCES

2.1 With the significant financial pledges made in Dakar, GPE's overall financial position is substantially improved, although still short of target levels, and we need to protect it.

2.2 GPE continues to be exposed to currency volatility. The significant strengthening of the dollar in recent weeks underscores the importance of finding a solution to facilitate currency hedging. The efforts of the World Bank in proposing a potential solution are welcome and it is important to now determine whether all our donors as required by the World Bank will be able to accept the required modification to the contribution agreement that removes the current provision allowing donors to cancel their contribution.

2.3 Since inception, GPE has invested US\$4.8 billion in the education systems of 61 developing country partners and, as of April, there were 40 financially active education sector program implementation grants, representing an allocation value of US\$1.7 billion. Total calendar year disbursements as of April were US\$143.2 million and, based on projections from grant agents, the Secretariat anticipates disbursements of between US\$450 million and US\$500 million by the year's end.

2.4 Grant disbursements are expected to significantly increase in the coming years as Board considers a substantial increase in the number of implementation grant applications. In FY19, the Secretariat expects grant disbursements of between US\$550-600 million with continued increases through FY20 and FY21. Increasing grant application activity demands more attention to efficiency. In Brussels, the Board will consider a first **proposal to reduce transaction costs in education sector program implementation grant applications**. We are also testing a **streamlined education sector program implementation grant quality assurance process**, approved by the Grants and Performance Committee in January. Pilots with two grant agents, the World Bank and UNICEF, are underway in five countries, seeking to more efficiently support country processes, reduce transaction costs, and better utilize grant agents' quality assurance systems. We will assess the pilots in Q4 and the Grants and Performance Committee will then consider the conclusions and final design of streamlined processes. In the meantime, the Secretariat's internal change processes will reduce internal transaction costs starting with the coming Quality Assurance Review II round in June-July.

3. GPE AT WORK

3.1 In the first half of 2018, the Board approved nine implementation grants totalling US\$140.7 million. Looking ahead, the grant pipeline projects that the second half of 2018 will be even stronger.

In May, four more countries submitted applications totalling US\$55.7 million, which the Grants and Performance Committee will consider in June. It is projected that by December the Board will have considered 20 education sector program implementation grants (US\$457.8 million) – almost double the number in the previous two years combined.

3.2 It is not just the money. Both the grant funds and the power of the GPE business model are driving change. The following recent examples highlight the impact of both funding and planning and implementation processes in supporting developing country partners to strengthen their education systems to achieve equity and learning outcomes.

3.3 Ensuring that education is available to girls and boys in humanitarian crises is a growing global concern with recent attention focusing on Rohingya and Syrian children. In both cases, GPE is helping to bring immediate support, while bridging to longer term development needs. We harnessed the strength of the partnership to address the devastating consequences on children of the ongoing **Syria** crisis. The Secretariat helped to facilitate the Syrian Education Development Forum, which met in March, bringing partners together to navigate the complexities of supporting Syrian schoolchildren. In this regard, GPE has allocated US\$25 million and the Grants and Performance Committee is scheduled to consider options for moving forward with the GPE support at its June meeting. We are working with the government of **Bangladesh** and partners – including UNICEF, UNHCR, Education Cannot Wait, and Save the Children – to reallocate US\$8.3 million from its US\$100 million GPE grant to support the education of half a million Rohingya children and youth and those from local communities in the border region. The grant agent, UNICEF, recently finalized a proposal that is being considered by the government. Across the border, having fulfilled requirements and a commitment to the principles of the GPE Compact, **Myanmar** joined GPE in May. The Secretariat is working with Myanmar and partners to ensure the implementation grant application includes support to vulnerable and marginalized groups, including ethnic minorities.

3.4 In **Somaliland** and **Sudan**, GPE’s engagement is driving national policy dialogue on the need for increased and more equitable domestic education financing. Although Somaliland has more than doubled budget allocations for the education sector in recent years, it remains significantly below GPE’s domestic financing target. Reinforced by the Grants and Performance Committee’s recommendation, the Secretariat pressed the issue with Somaliland, which increased education’s share of the budget to nine percent in 2018, up from seven percent in 2017, and agreed to increase it to 13 percent by 2020. In **Sudan**, a GPE grant’s success in improving learning outcomes also triggered a dialogue on domestic financing. The GPE-supported Basic Education Recovery Project, the biggest education project in the country, with the World Bank as grant agent, has constructed 1,600 new classrooms and distributed 22 million books. It has also helped institutionalize the

National Learning Assessment – and early indications are that the 52 schools supported by the Basic Education Recovery Project achieved significantly better learning outcomes than other schools. As Sudan prepares for a new implementation grant application to build on this progress, the government has agreed to develop a roadmap to increase domestic financing and parliament, for the first time, has established a National Committee for Education.

3.5 Helping to build institutional capacity and transparent procedures to better deploy teachers is critical to improving education outcomes and from West Africa to South Asia the impact is evident. In the **Democratic Republic of Congo**, GPE funding assists provinces to project the number of teachers needed and apply simple tools for their recruitment and deployment, promoting a change of practice through information campaigns and financial rewards to administration offices and schools that demonstrate transparency in their procedures. In **Cote d’Ivoire** and **Niger**, emphasis is placed on developing capacities at decentralized levels by clarifying responsibilities between different levels and introducing more effective teacher deployment policies. In **Benin**, **Uganda**, and in **Pakistan’s Sindh province**, GPE funding strengthens information systems to facilitate the collection of teacher data and its use in decisions regarding recruitments, placements, and transfers.

4. NEW TECHNICAL RESOURCES AND KNOWLEDGE EXCHANGE

4.1 GPE continues to expand the tools available to support evidence-based policy dialogue and capacity development at the country level. In March, we released a *Disability and Inclusion Stocktake Report* reviewing how national policies and sector plans, as well as GPE grants, address disability and inclusion. We also collaborated with the World Bank to produce *Optimizing education outcomes—high return investments in school health for increased participation and learning*, which explores how synergies between the education and health sectors can drive progress on equity and inclusion. To strengthen the capacity of the local education group and reinforce mutual accountability at the country level, we will soon release joint sector review guidelines, including practical tools to support country teams in self-assessing and monitoring the effectiveness of their joint sector reviews and facilitating cross-country exchange and peer learning.

4.2 GPE also continues to actively identify opportunities to collaborate and step up knowledge-sharing across the partnership. In April, GPE and UNESCO, with support from the Education Management Information System (EMIS) Task Force, convened an International Conference on EMIS to discuss challenges, lessons learned, and ways in which development partners can better collaborate with developing country partners to address EMIS-related needs. This was followed by an expert’s *Education Data Solutions Roundtable* to consider global and national education data challenges and identify priority areas for investment through KIX. In May in Togo, the Secretariat,

in collaboration with partners, completed a third regional workshop on gender-responsive education sector planning. We are continuing to work with UNESCO Institute for Statistics on improving disability data, with the Global Alliance to Monitor Learning to promote learning assessments, Pole Dakar and the Teachers Task Force around teacher workforce issues, and with the World Bank REACH Trust Fund to share lessons from results-based financing.

5. STRENGTHENING THE PARTNERSHIP

5.1 The Board has before it three new reports, rich in data, evidence and analysis, which collectively represent a toolkit for improving GPE's effectiveness and setting the course for the future growth and strengthening of the partnership. The **Results Report 2018** gives us a fresh opportunity to strengthen mutual accountability and address areas of our strategy that need improvement. The **Effective Partnership Review** draws out the experience of GPE's operating model at the country level, providing the chance to correct course, adjust, and improve our collective impact. In reviewing the partnership's **institutional arrangements**, the Board will have an opportunity to methodologically define the capabilities that the partnership needs to accelerate progress toward its strategic goals and how best to strengthen or acquire them.

5.2 The **Results Report 2018** is the annual report on progress against the indicators in the results framework of GPE 2020. It highlights clear progress in key areas at the heart of GPE, including improvements in education sector planning and increased domestic finance, both of which are foundational for improving equity and learning. Of 28 milestones set for 2017, GPE met 22. The report identifies two broad areas for improvement: how the partnership works together, including joint sector reviews, alignment and harmonization, and the timely implementation of grants; and factors affecting education outcomes in partner countries, including learning assessments, the lack of trained teachers, and rising numbers of out of school children. In Brussels, the Board will consider management and partnership actions that respond to challenges: management actions are included in the Secretariat's FY19 workplan and it is expected that partners will identify further coordinated actions.

5.3 The **Effective Partnership Review** was overseen by the Grants and Performance Committee and examines the roles and responsibilities of the local education group, grant agent, coordinating agency, and the Secretariat in delivering on GPE 2020. While the review reaffirms the fundamentals of GPE's operating model, it also indicates that more strategic communication is needed to explain the linkage among the operating model, GPE 2020 goals and objectives, the leveraging agenda around grant processes, and the grants themselves. It highlights several areas that could be strengthened, including by clarifying the role of various actors at the country level, including

that of the Secretariat, reinforcing the concept of mutual accountability, and improving capacity development of developing country partners. The Board will consider the Grants and Performance Committee's recommendation that the Secretariat develop a costed implementation plan to take concrete action on the review's recommendations.

5.4 Last December, the Board requested that the Secretariat work in consultation with the World Bank to examine the options and implications of any changes to GPE's **institutional arrangements**. As GPE has grown and evolved over the years, it has periodically reflected on what functions and capabilities are needed to meet the ambitions of the partnership including through a hosting review by Alison Evans in 2012. During its preliminary discussion in June, the Board will consider a paper on the options for GPE's future direction as well as provide guidance on next steps to enable a decision by the end of the year.

5.5 The Board's discussion in Brussels will focus on several critical questions around the capabilities GPE needs to deliver on GPE 2020 and beyond and the appropriate governance arrangements for the partnership. These deliberations will be key for informing the Board's decision as to whether GPE should maintain its current hosting arrangement or consider other alternatives, including establishing GPE as an independent organization.

5.6 Given the importance of the issues at hand and the impact that continued uncertainty is having on staff and planning, the Finance and Risk Committee has proposed elevating the risk on institutional arrangements to critical. Determining GPE's long-term hosting arrangements by the end of the year will ensure the partnership is sufficiently prepared to launch the next strategic plan and replenishment cycle in FY20/21 as well as help to advance broader synergies in the education aid architecture, including with the International Finance Facility for Education and Education Cannot Wait.

6. OPERATIONALIZING THE FINANCING AND FUNDING FRAMEWORK

6.1 Following the Board's approval of the goals, architecture, and design principles of the **Knowledge and Innovation Exchange (KIX)** mechanism in December, a design blueprint, drawing from developing country partner inputs gathered through multiple consultations, is well advanced and will be available in July for consideration by all partners. The Strategy and Impact Committee, with input from the Grants and Performance Committee, will review the blueprint as well as applications for the grant agent to manage KIX thematic funding. The schedule is for the new Learning Exchange and first round of applications for Knowledge and Innovation Funding to be

launched in early 2019. KIX aims to reinforce GPE's support to developing country partners in the planning, implementation, and monitoring of national sector plans by funding the generation, exchange, and utilization of knowledge and innovation in key thematic areas.

6.2 Secretariat work is also well underway to design the operational components of the **Advocacy and Social Accountability (ASA)** mechanism, which will provide grants to improve civil society participation, advocacy, and efforts to strengthen mutual accountability in the partnership and increase the effectiveness of education sector plan implementation. ASA will build the capacity of civil society organizations to effectively participate in national education sector dialogue, improve transparency, and increase accountability to citizens through grant and capacity building support for national coalitions, social accountability initiatives, and transnational advocacy.

6.3 The third major component of the financing and funding framework is attracting growing interest from developing country partners. The **GPE Multiplier** is a new innovative finance window to incentivize more and better aligned investment in education. The Board will review three more Expressions of Interest to access multiplier finance (Djibouti, Mauritania, and Zambia) totaling US\$20 million. If these Expressions of Interest are approved, US\$12.5 million of the initial US\$100 million approved would remain available after a year of operation. Based on the strong interest from developing country partners, the Finance and Risk Committee recommends that the Board scale-up and extend the Multiplier to US\$300 million for the 2018-2020 period. This would allow roughly 20 more countries to access the Multiplier and mobilize at least US\$900 million for education delivery. Based on lessons learned and an independent external analysis of the roll-out, the Board will also consider refinements to the Multiplier, including reducing transaction costs in the application and approval stages. Following the receipt of multiple Expressions of Interest, the Grants and Performance Committee will review the first program application (Zimbabwe) using Multiplier funding in its June meeting.

6.4 With support from consultants, the Secretariat also continues to make progress on development of the **Education Sector Investment Case**, which aims to attract more funding from established and new donors behind quality education sector plans. Since the working group launched first consultations with developing country partners on the Education Sector Investment Case in Paris last December, the group has completed analytical work on the financing components of a range of education sector plans and captured lessons learned from existing approaches in a peer group of global funds. Over the coming months, the Finance and Risk Committee will oversee more consultation with donors, investors, multilateral finance institutions, and a reference group of developing country partners. As a next step, the working group will develop a series of country cases to demonstrate how the Education Sector Investment Case can support the education sector plan

process to ramp up and diversify investment in learning, which will ultimately help drive further harmonization and alignment of that funding. The working group will present these products to the Board in December, detailing the costs and benefits of the approach.

6.5 With guidance and support from the Strategy and Impact Committee, the Secretariat also continues to make progress toward the completion the **private sector engagement strategy**, which the Board will consider in December. The private sector strategy will identify different levers across the partnership to help harness the business community's expertise, finance, advocacy, and voice into more effective support to developing country partners on the ground. The Secretariat launched consultations in May around a Private Sector Mapping Report, which analyzes country-level engagement with the private sector, including through education sector plans and education sector program implementation grants, and explores opportunities for private sector engagement with global education, global development generally, and GPE's comparator organizations. The recent consultation with developing country partner representatives in Maputo made clear that there is strong interest in working with the private sector and many countries are already engaging the business community. In June and July, the Secretariat will consult partners on the strategy's principles, goals, and objectives and share a full draft of the strategy for partner input in September.

6.6 Although the Board approved the **private foundations strategy** in December, Secretariat capacity has been limited and remains so pending consideration of future Secretariat staffing needs. In FY19, the Secretariat will focus on the successful implementation of foundation-supported knowledge and good practice activities in the areas of gender equality, early childhood education, and learning assessments. However, Secretariat capacity issues will delay implementation of other workstreams identified in the strategy. Consequently, the Finance and Risk Committee, in consultation with the Strategy and Impact Committee, has proposed elevating the risk of the foundations strategy to high.

7. MANAGING GPE FUNDS AND STEWARDSHIP

7.1 Following the Board's recommendation in December, the Secretariat worked with an external consulting firm to identify gaps and areas for improvement in GPE's risk policies and practices. The Secretariat Management Team welcomes the findings of the report and notes that current practices and challenges are not significantly different from comparator organizations. There are several recommendations that the Secretariat can immediately begin to address. However, some of the more substantive recommendations to strengthen risk management are linked to ongoing strategic discussions about how as a partnership we respond to the findings of the Results Report, follow up

actions as part of the Effective Partnership Review, and the ongoing review of institutional arrangements.

7.2 In Brussels, the Board will also review the latest **semi-annual review of the Risk Matrix**. It shows that GPE's risk mitigation efforts are having an impact but the pace of change remains slow, and some risks have increased. The **review of operational risk**, which examines risk on a country by country and grant by grant basis, shows modest reductions in risk across the portfolio. Risk management practices will be significantly strengthened by implementing the recommendations from the external risk review and closely tied to ongoing workstreams and follow up actions from the Results Report and the Effective Partnership Review.

7.3 We also continue to proactively monitor the **stewardship of GPE's funds** and follow up to ensure repayment where necessary. To update on cases presented at the December Board meeting: in Afghanistan, where US\$122,000 was misappropriated in two provincial offices, the grant agent (UNICEF) is still working with the government to achieve repayment. In Zambia, where a fraud of US\$350,000 was identified by a government audit, the grant agent (DFID) is following up closely with the government, who is conducting wider fiduciary investigations – in the meantime, GPE payments are being withheld. In terms of new cases, in Central African Republic, the grant agent (UNICEF) identified cases of misappropriation of GPE funds by two of its implementing partners totaling US\$171,000. In both cases, UNICEF and the government are working on the refund process, which is ongoing. In Uganda, the grant agent (World Bank) is investigating two complaints of fraudulent practices relating to school construction, for which more information will be available in due course. The Secretariat will continue to regularly monitor these cases and a separate more detailed report will be shared as part of the Risk Management session in Brussels.

8. SECRETARIAT MANAGEMENT AND BUDGET

8.1 The Board will also consider the Secretariat's Proposed **FY19 Workplan and Operating Budget** along with an updated **Implementation Plan for FY19-FY21**. In FY19 (July 2018-June 2019), the strategic focus will be on ensuring that the partnership has the functions and capabilities needed to transform the commitments made in Dakar into tangible results and continue progress toward the goal of allocating US\$2 billion a year by 2020 to further strengthen education systems. At a more detailed level, this means completing key elements of the financing and funding framework, including KIX and ASA, and strengthening the operating model to further reinforce GPE support at the country level to accelerate improvements in equity, efficiency, and learning outcomes.

8.2 The Secretariat's budget request for FY19 reflects the significant increase in workload required to progress GPE 2020. For FY19, the Secretariat requests a core 12-month budget of US\$38.2 million, an increase of 4% from FY18. Operating expenses are projected at 6.3% of total expenditure, well within the 5-7% guidance agreed by the Board and lower than FY18, as grant disbursements are expected to rise. The budget has been prepared based on 108 staff positions, which is the current ceiling authorized by the World Bank, compared to the 111 authorized by the GPE Board. Given the ongoing link between staffing needs and the deliberations on GPE's institutional arrangements and in response to the Effective Partnership Review, the Secretariat has not requested any additional staff for FY19.

9. CONCLUSION

9.1 GPE continues to capitalize on the momentum generated in Dakar to build a stronger partnership, secure more financing from long-standing partners, foster relationships with possible new contributors, and build broad commitment to the potential of education to unlock progress across all of the Global Goals for Sustainable Development. GPE brings all education partners together, aligned behind shared strategies, common plans, and a commitment to mutual accountability for achieving results in learning outcomes and equity for the world's most vulnerable children. This unique added value is being recognized in national capitals and international public policy forums from the G7 to the G20; from the African Union to the United Nations. More recently, the Results Report and Effective Partnership Review reaffirm GPE's business model and also highlight more that can be done to fulfill the promise of GPE.

9.2 With growing recognition comes the potential to build a stronger partnership and accelerate progress. We need to ensure that GPE has the functions and capabilities it needs to meet the ambition of GPE 2020 and beyond. As the Board moves toward a decision in December on the institutional arrangements fit for a growing and evolving GPE, we will continue to draw from the powerful set of levers the partnership has developed to harness and channel our collective resources and talent, including financing, advocacy, tools for social accountability, a platform to exchange knowledge and innovation, and expertise in education sector analysis and planning. Invigorated with new resources, we have a fresh opportunity to use these tools to harness our mutual talents to achieve our shared goals of improved equity and learning outcomes through stronger education systems and to ensure that every child has access to a quality education.