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# Guidance Note on GPE Variable Part Financing

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Education sector planning and program design  
in the context of results-based financing**

## Acknowledgments

This guidance note draws on stakeholder feedback on, and country experiences with, implementation of the GPE funding model. Informing the development of this guidance note is feedback from consultations with developing country partners in 2015, 2017 and 2018; feedback from country representatives collected during QAR I and QAR II; and draft findings from a working paper that reviewed the variable part strategies proposed by the first five countries to go through the new funding model. We owe a special thanks to several country-level partners; members of the Secretariat working group on the variable part; and Grants and Performance Committee members and constituencies for providing valuable peer review comments and feedback during the development of this document.

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## 1. Overview of GPE operational model for results-based financing at the sector level

### Overview

This guidance note serves two main purposes: to share the Global Partnership for Education (GPE) model for providing results-based financing at the sector level and to support country development of grant applications for this financing. *Results-based financing* is a mechanism whereby fund disbursement is triggered when a pre-agreed set of results has been achieved. The GPE model for results-based financing is called the variable part, or variable part financing.<sup>1</sup>

The objective of GPE results-based financing is to drive improvements in *equity, efficiency and learning outcomes* in basic education at the sector/system level based on country implementation of transformational strategies from its education sector plan (ESP).<sup>2</sup>

### GPE approach and grant financing

GPE seeks to support country progress toward large-scale and sustainable education outcomes<sup>3</sup> through (i) strengthening country education systems, (ii) encouraging more and sustained financing to education, and (iii) providing results-based funding. Central to the GPE theory of change is country development of a quality education sector plan and inclusive dialogue of education stakeholders at the country level on ESP development and implementation.

As a part of its operational model, GPE provides financing to eligible countries to support implementation of basic education priorities through an education sector program implementation grant (ESPIG). The ESPIG is divided into a *fixed part* and a *variable part*, making up no more than 70 percent and no less than 30 percent of the grant amount, respectively.

- Country eligibility for the **fixed part** of the grant is based on meeting three funding model requirements related to ESP development, education financing and availability of data (see [ESPIG Guidelines](#)). The fixed part of the grant may go to budget support or a pooled fund or be allocated to funding a stand-alone program. To promote harmonization and donor coordination, GPE promotes the use of pooled funding and budget support modalities.
- Country eligibility to access the **variable part** of the grant is based on a country application that includes (i) a commitment to implement ESP strategies designed to improve equity, efficiency and learning outcomes at the system/sector level; (ii) funding-linked targets in each of the three dimensions of equity, efficiency and learning outcomes; (iii) a detailed plan for measuring and verifying results; and (iv) a clearly described mechanism for disbursement of financing.

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<sup>1</sup> A country's program may include several types of results-based financing. In the GPE model, variable part financing is results-based financing that focuses on *system-level results* and is expected to meet the criteria outlined in section 3 of this guidance note.

<sup>2</sup> For a more detailed explanation of the dimensions of *equity, efficiency and learning outcomes*, see section 3.2 of this guidance note.

<sup>3</sup> The GPE Strategic Plan 2016-2020 ([GPE 2020](#)) organizes the work of the Global Partnership for Education around three strategic goals: (i) improved and more equitable learning outcomes; (ii) increased equity, gender equality and inclusion; and (iii) effective and efficient education systems.

### Rationale for introducing results-based financing

In 2014, when GPE was developing its new funding model, it was recognized that while many partner countries had made great strides in improving access to education, considerable numbers of children continued to be left behind and significantly more progress in delivering equity, efficiency and learning was possible. While inputs-focused education planning and financing were seen to play an important role in sector development, the introduction of results-based financing at the sector level was expected specifically to

- Strengthen the results focus of sector policy dialogue and sector planning;
- Encourage the development of ambitious yet realistic sector strategies backed by robust theories of change; and
- Drive sector plan implementation and improvements in equity, efficiency and learning.

The GPE funding model continues to provide traditional grant financing through the fixed part of the grant, while further incentivizing sector plan implementation with results-based financing (i.e., the variable part).

### Background on results-based financing

The logic of results-based financing is to use the financial incentive (i.e., the grant) to influence progress toward results. Results-based financing stands in contrast to traditional grants, which normally finance implementation of a project or intervention.

The following example illustrates the difference: A government proposes development and implementation of a scholarship program with the expectation that program implementation will result in a reduction in primary school dropout rates.

- A **traditional grant** would finance the procurement of inputs and the implementation of activities associated with developing and implementing the scholarship program. *For example, the grant would fund costs of administering and implementing the program.*
- In a **results-based financing approach**, financing would be provided based on attainment of results associated with the development and implementation of the scholarship program. *For example, financing would be based on meeting certain targets or milestones along the results chain, up to and potentially including a reduction in the primary school dropout rate.*

## 2. A focus on transformational strategies and theories of change

**In most countries, an education sector plan or a transitional education plan (TEP) is developed on a regular basis and presents medium-term policy priorities and a plan of action for sector development.**

A critical part of the sector planning process is the development of strategies and programs that respond to country policy priorities.<sup>4</sup>

**Through the variable part, GPE seeks to further incentivize the development of robust sector plans, with a focus on the development and implementation of ESP strategies that can be considered transformational.** In education sector planning, a strategy is *a plan of action (i.e., a program or a set of programs)*<sup>5</sup> that seeks to address a policy priority or goal that is measured at the outcome level. Strategies are considered transformational if they address key ESP priorities in equity, efficiency or learning outcomes; are likely to lead to substantial medium-term progress at the system/sector level; are based on a robust theory of change; and include ambitious yet realistic “stretch” targets.

**Strategies proposed for the variable part should be grounded in a strong theory of change: an explanation of how the strategy will support progress toward a policy priority or goal.** The theory of change should provide *a clear and convincing explanation of how the strategy (and associated programs) will lead to a change (toward a desired outcome) in the country context.*

A strong theory of change is demonstrated when the strategy includes the following elements:

- The ESP policy priority, or goal, is clearly stated.
- A key challenge and the underlying causes of the challenge (i.e., barriers to reaching the stated goal) are clearly stated and based on evidence (where available).
- The proposed program (or set of programs)
  - Includes a clear and logical chain (i.e., a results chain) that shows the link between underlying causes of the stated challenge, proposed activities and interventions, and expected outputs and outcomes;
  - Provides relevant indicators and targets at each level of the results chain (process, output, outcome); and
  - Is plausible, or convincing, and applies logic and evidence to demonstrate (to the extent possible) the relationship between interventions and expected process, output and outcome results.<sup>6</sup>

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<sup>4</sup> The [Guidelines for Education Sector Plan Preparation \(GPE/IIEP, Washington, DC, 2015\)](#) states: “The ESP should be strategic: It offers a vision of a desirable situation for the education system in the future and identifies the ways to reach this situation. It should determine a long-term vision, specified in (a) medium-term policy priorities set as goals, and (b) major strategies developed into programs.”

<sup>5</sup> In this section, “program” refers to ESP programs. The ESPIG “program document” will include a section on the variable part that is expected to refer to ESP strategies and programs.

<sup>6</sup> A recent [evaluation](#) of 27 World Bank Program-for-Results projects highlights the importance of developing a program theory of change that provides a “clear line of sight” between the results framework, funding-linked targets and overarching program outcomes. See World Bank, *Program-for-Results: An Early-Stage Assessment of the Process and Effects of a New Lending Instrument* (Washington, DC: World Bank, 2016).

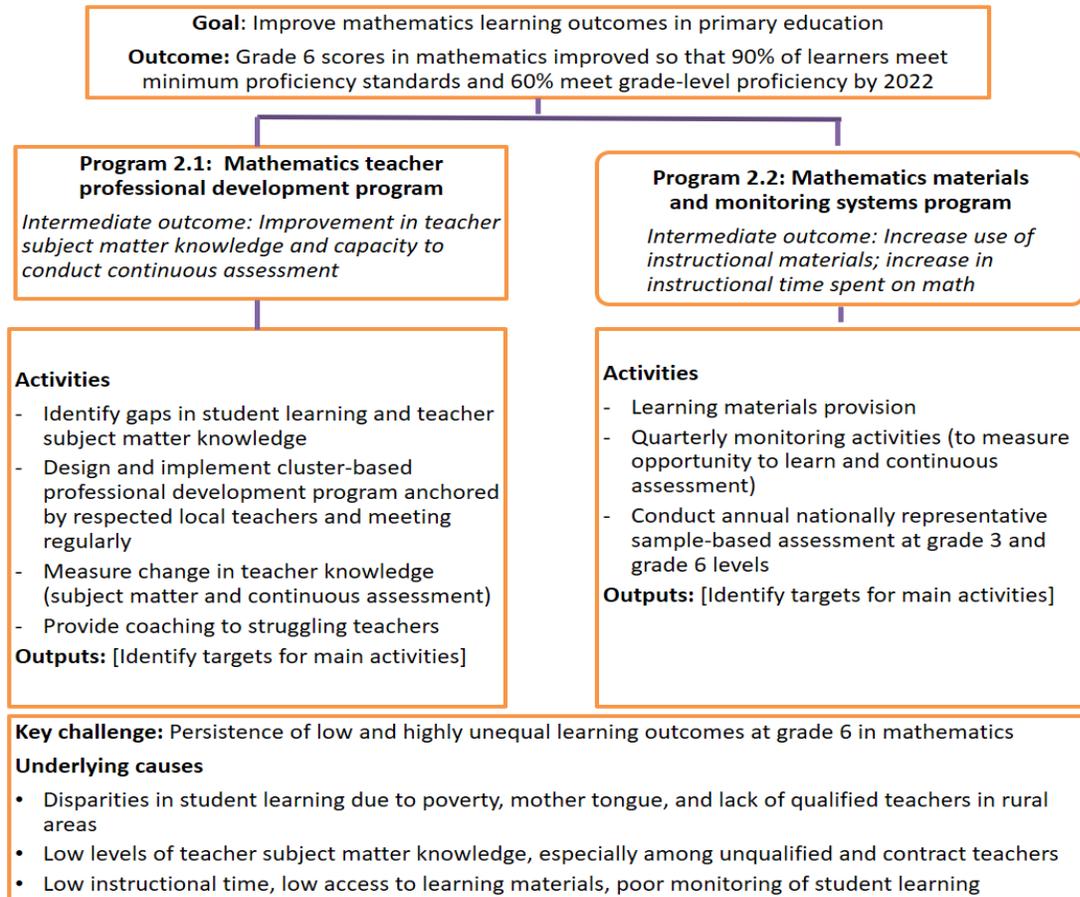


Figure 1: Example of an ESP strategy to improve grade 6 mathematics learning outcomes

**Figure 1 illustrates a strategy with a strong theory of change.** The strategy clearly states the desired outcome(s) and key challenges (and their causes) and presents a linked chain of activities, outputs and intermediate outcomes. If a country were to include this strategy in its variable part application, it should have a *narrative* that explains the theory of change, including the rationale, context and evidence base for the proposed interventions, and *clearly defined indicators* at the outcome and output levels, as well as *baselines and targets*. A country may choose to link the entire strategy or only part of the strategy (e.g., in the context of the mathematics strategy in Figure 1, Program 2.1) to GPE variable part financing.

**Given the objective of variable part financing, it is expected that a share of variable part financing is linked to outcome indicators and targets,** though country context and capacity will inform indicator selection, which may also include process and output indicators. For example, based on the strategy detailed in Figure 1, a country may propose linking funding to (i) an improvement in teacher subject matter knowledge, (ii) an improvement in grade 6 learning outcomes in mathematics, and/or (iii) evidence that quarterly monitoring activities are taking place. If indicators at the process or output levels are proposed (e.g., on-time provision of learning materials), then it is all the more important that the country include a justification for why these intermediate targets are a stretch in the country context.<sup>7</sup>

<sup>7</sup> For an elaboration of stretch, see section 3.4 of this guidance note.

**Proposed variable part strategies and theories of change should come from the ESP and effect change at the system level.** While ESP strategies and theories of change may be further refined during the ESPIG program design process, strategies selected for the variable part, if further refined, should be re-integrated into the ESP/operational plan during its next update (e.g., at the midterm review, or joint sector review) to reinforce the sector approach to planning.

Change at the system level could be measured through a change in an indicator measured at the national level (e.g., primary completion rate) or at the level relevant for the chosen ESP strategy,<sup>8</sup> or reflect a policy/institutional change (e.g., development/implementation of a new teacher deployment system) that will have an effect at the sector level.

### **Lessons learned: Sector planning and the variable part**

Waiting until the ESPIG program design phase (QAR I) to discuss the variable part can significantly delay program development. It is advised that countries begin identifying strategies and indicators to be linked to variable part financing while developing the ESP.<sup>9</sup>

Questions to ask during ESP development may include the following:

- What are the main issues, priorities or challenges the country wants to address in equity, efficiency and learning outcomes in basic education? Are there specific barriers/bottlenecks that need to be unblocked to change sector trends?
- Which strategies address key challenges in these areas? Which strategies would the country choose to link to GPE variable part financing?
- What are appropriate indicators and targets for measuring change vis-à-vis proposed strategies?
- How will results be reliably verified? Who will verify results?

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<sup>8</sup> Approved equity strategies include ESP programs that focus on marginalized regions, populations or groups, and that, through appropriate targeting, promote equity improvements at a system level.

<sup>9</sup> GPE Secretariat staff can help facilitate this dialogue.

### 3. GPE criteria for evaluating country applications

The GPE Secretariat provides guidance and feedback at various stages of education sector planning and country development of ESPIG applications. Country applications for variable part financing are evaluated against six criteria: (i) sector alignment, (ii) relevance, (iii) transformative effect, (iv) adequacy of indicators and targets, (v) reliability of means of verification, and (vi) clarity and adequacy of disbursement mechanism.

#### 3.1 Sector alignment

*Description of criterion: Selected strategies (i) are embedded in the ESP, including the multiyear implementation plan, and (ii) have been discussed and endorsed by the local education group (LEG).*

**Strategies proposed for the variable part should be from the ESP.** Proposed indicators and targets should reflect “progress on key strategies and policies designed to drive overall progress in the sector.”<sup>10</sup> Ideally, the proposed indicators should also be from the ESP; if they are not, the application should provide a justification for the use of non-ESP indicators and give assurance that the proposed indicators will be integrated into the ESP at the next available opportunity.

#### 3.2 Relevance

*Description of criterion: Selected strategies are a logical and adequate response to underlying challenges related to improving equity, efficiency and learning outcomes in basic education.*

**Respective dimensions of equity, efficiency and learning outcomes are defined by GPE as follows:**<sup>11</sup>

- **Equity** refers to addressing disparities in education access, quality and learning outcomes across gender, income, disability, region and other factors.
- **Efficiency** is defined in relation to access, quality and learning outcomes, as the ratio of outcomes versus resources (e.g., financial or human resources, time) for these dimensions. Strategies to reduce primary school dropout, or to improve the efficiency of teacher allocation (i.e., reduce the disparity in pupil-qualified teacher ratios across districts) have been approved as efficiency strategies. Other potentially relevant strategies may include but are not limited to certain service delivery indicators, teacher absenteeism, teacher retention and use of instructional time.<sup>12</sup>
- **Learning outcomes** refers to actions to improve learning outcomes, inclusive of strategies to manage and remedy learning issues. Funds should be linked to results in the form of improvements in student learning (e.g., percentage of students achieving literacy or numeracy standards as defined by the country), or to proxy outputs linked to a theory of change to improve learning (e.g., number of instructional hours, availability of instructional materials, textbook ratios for reading and mathematics, percentage of qualified teachers, etc.).

<sup>10</sup> GPE, “ESPIG Guidelines” (Washington, DC: GPE, 2018), 12.

<sup>11</sup> GPE, “Operational Framework for Requirements and Incentives in the Funding Model of the Global Partnership for Education and Results-Based Financing Pilot,” GPE Board Paper, BOD/2014/05 DOC 03, May 2014.

<sup>12</sup> GPE Board guidance offers the following example indicator for efficiency: “the ratio of school life expectancy (the average level of effective schooling attained by the population) compared to spending (percentage of GDP for education), indicating how many years of effective schooling a country’s public expenditure is able to buy.”

### 3.3 Transformative effect

*Description of criterion: Selected strategies or policies are (i) key to improving equity, efficiency and learning outcomes in basic education and (ii) deemed likely to lead to substantial progress in the medium term. The strategy should include a results chain showing that the selected actions are based on a credible theory of change.*

**GPE evaluation of transformative effect is based on four questions:**

- Is the strategy key to improving equity, efficiency and learning outcomes in basic education? Proposed strategies should clearly identify the policy priority being addressed and the underlying causes of the problem.
- Is the strategy based on a robust theory of change that shows how implementation will lead to expected results?
- Is implementation of the strategy likely to lead to substantial progress, in the medium term (i.e., 3-5 years) and at the system/sector level?
- Does the strategy build on lessons learned from previous programs? Is the strategy informed by relevant data/evidence?

#### **Lessons learned: Common challenges with draft theories of change**

In reviewing over 50 draft theories of change presented in country applications for variable part funding, the Secretariat has identified these common challenges.

- The problem and its underlying causes are not clearly presented. *For example, a country may identify “low learning outcomes” as a key challenge but not identify the underlying causes.*
- The results chain—the link between interventions and expected outputs and outcomes—is incomplete or not convincing. *For example, a country may propose that better access to data will improve “efficiency” through better planning and use of resources at the school level but may not detail what specific efficiency gain (in terms of improved access or learning) are expected, or how the inputs or activities will lead to efficiency gains.*
- Available evidence doesn’t support the theory of change. *For example, a country may propose reducing the share of out-of-school children (OOSC) by building more classrooms. However, if school fees and household chores are the main reasons children are not attending school, then it is unclear whether provision of additional classrooms will indeed lead to the proposed outcome.*

### 3.4 Adequacy of indicators and targets

*Description of criterion: Indicators are selected based on their ability to measure implementation of proposed strategies. Targets set for indicators should represent an adequate level of ambition—a “stretch.”*

**The country may propose linking GPE results-based funding to process, output and/or outcome indicator targets.** However, country context and capacity impact the suitability of indicators proposed.

**Proposed targets must demonstrate an “adequate level of ambition,” or put another way, a “realistic stretch.”** Stretch is evaluated using the following questions:

- Are the indicators/targets ambitious enough considering the country context?<sup>13</sup>
- Are targets set for all indicators realistic and achievable in the country context?
- In some contexts, stretch may involve the ongoing implementation of ambitious strategies or maintaining a level of performance despite difficult conditions.

**When the variable part results require specific activities to take place, the program document should confirm the availability of financing to support implementation of proposed strategies and programs.** Financing to implement proposed strategies would ideally be identified in the ESP or as part of the ESPIG application and may come from any source, including the fixed part of the ESPIG (see “Additional guidance” in this section for more detail).

**The program document should explain *why and how* the proposed indicators and targets are a stretch in the country context.** Context includes all factors—social, environmental, economic, political, historical, geographic—influencing country capacity to effect change in the education sector. If indicators at the process or output levels (as opposed to outcome level) are proposed, then it is all the more important that the country include a justification for why the target is a stretch, including how intermediate results are expected to lead to outcomes over the longer term.

In some contexts, **development and implementation (and results) of a new policy** may also show a transformative effect. For example, in Malawi, development and initial implementation of a teacher deployment and transfer policy is an intermediate step toward the result of improving the pupil-qualified teacher ratio.

### **Additional guidance**

- A strategy may link variable part funding to several indicators (e.g., at process, output and/or outcome level) within a dimension (e.g., equity), providing that the associated amounts and disbursement conditions for each target are clearly stated.
- A strategy may have pro-rated, or scalable, indicators, providing the associated amounts for each level of achievement are clearly stated. *For example, a country may propose \$200,000 in results-based financing for every 1 percentage point decrease in the primary school dropout rate, up to \$1 million (a 5 percentage point decrease). In some countries a minimum target is proposed (e.g., improve girls completion rates in 50 percent of districts) with scalable financing available for achievement beyond the minimum target.*

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<sup>13</sup> For a quantitative indicator, providing a past trend and the projected change in the indicator value can help determine whether the proposed target(s) represent a stretch.

- In a project modality, if a target is a direct output of the fixed part of the ESPIG, it will not be approved as a funding-linked indicator for the variable part. *For example, if the fixed part of the grant finances construction of 100 classrooms, a target of “100 classrooms completed” would not be approved for the variable part.*

### 3.5 Reliability of means of verification

*Description of criterion: The means of verification for the attainment of targets are fully described and are reliable.*

**The means of verification for all targets should be clearly described, outlining a time frame for reaching targets and a process and time frame for data collection and analysis, verification and grant agent/LEG validation.**

**Expectations around results verification will vary depending on the indicator.** For example, for some indicators (e.g., passing a law on school finance or ministry of education endorsement of a policy on teacher allocation), while it is expected that the LEG would validate target achievement, independent verification may not be required. For other indicators (e.g., a reduction in OOSC or an increase in grade 3 reading outcomes), an independent agent may be called on to collect data, conduct analysis and complete a verification report for the grant agent and LEG. Independent verification is further discussed below.

**The means of verification generally include the following steps:**

- *Collection and analysis of raw data* by the ministry of education, an independent agent and/or other reliable institution.
- *Verification.* Verification is the *technical assessment* of the evidence to determine whether targets have been met. The program document should outline a clear and transparent verification process. Verification is often completed by an independent third party and presented in a verification report to the grant agent and LEG.
- *Validation.* Validation is a *decision* whereby the grant agent, in consultation with the LEG, decides whether to accept the verification report and, based on that decision, makes a disbursement recommendation.<sup>14</sup>

**The means of verification should be reliable and technically sound.** *For example, spot checks or field visits to only a few schools are insufficient if the objective is to verify a national-level statistical indicator.*

**The roles and responsibilities of key stakeholders involved in means of verification should be clearly described in the program document.**

**To credibly verify results, it is important to have an adequate level of independent verification.** Independent verification helps ensure the credibility and integrity of the verification process and of the results. “Independent” means that the verifier is not the beneficiary of the results-based financing and, in

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<sup>14</sup> The ESPIG policy recognizes the grant agent as the fiduciary responsible for making a final decision on results verification and variable part disbursement. If disagreement arises between the partner developing country, the LEG, and the grant agent regarding a disbursement decision, the parties may refer to GPE [Conflict Resolution Procedures](#).

most cases, is not involved in producing the raw data. Independent verification could be provided by an independent ministerial or government agency (e.g., a government control body), an educational institution (e.g., a local university) or a third party (e.g., an external firm, NGO or local expert).<sup>15</sup> *Where education management information system (EMIS) data are used, it is expected that an independent technical review and verification of the data and analysis will take place. Such a review can play a role in protecting the integrity of national data systems.*<sup>16</sup>

### Additional guidance

- Country applications should identify the costs of and funding for means of verification. ESPIG financing can be used to finance verification activities as well as capacity building in systems strengthening of monitoring and evaluation and data systems.
- A recommended practice is to have a “disbursement rule” for each indicator, clearly stating the conditions under which variable part financing can be (partially) disbursed.

### Lessons learned: Planning for results verification

- **Are reliable data available for selected indicators?** In some contexts, reliable baseline data may not be available for some indicators. For example, the Ebola epidemic (and related school closures) in 2014 affected the reliability of student dropout data in 2015 and 2016 in Liberia. When discussing indicator selection, conducting a “data check” to ensure that reliable data are available and that there is capacity for future collection is important.
- **Can improvement be reliably measured?** For sample-based measures, it is important to discuss methods for estimating results *before the program starts*. For example, measuring a small change may require a large sample (which implies higher data collection costs). Additionally, sample results are generally presented with a margin of error—meaning that in some cases results attainment may not be clear-cut.
- **Are the time, money and expertise budgeted for results verification sufficient?** Results verification, including contracting independent verification where relevant, often takes more money, time, and expertise than expected: Plan carefully.

### 3.6 Clarity and adequacy of disbursement mechanism

*Description of criterion: Disbursement mechanisms are clearly described and appear adequate.*

<sup>15</sup> Because one of the objectives of GPE is to strengthen and reinforce the use of country systems, the engagement of government control bodies and independent local bodies should be considered when planning for independent verification.

<sup>16</sup> Literature on results-based financing notes that it can have an adverse effect on the integrity of country data systems. As a mitigation strategy, it is recommended that independent verification of EMIS be provided to protect the *integrity of national data systems*. Such verification need not duplicate data collection, but rather provide for a technical review of the EMIS system, such as a review of data input, data cleaning and the methodology for indicator analysis (e.g., is missing data treated equally across years?).

**The program document should clearly explain the disbursement arrangement and mechanism.** A program may disburse to (sector) budget support, a pooled fund or additional program activities. Several existing programs disburse to the government budget (treasury) to reimburse government expenditure in agreed budget lines (typically ministry of education expenditures). Some programs have experimented with disbursing financing to decentralized levels of government to incentivize results at the local level.<sup>17</sup>

**There are two primary timelines for variable part fund disbursement:** (i) concurrently with the fixed part as part of a three- or four-year grant, and (ii) as an additional phase of the program, after the fixed part is implemented.

**If a country plans to use money from the variable part to support implementation of a program (e.g., a subcomponent of the program funded by the fixed part of the ESPIG), the application should explain the potential impact to the program if the variable part is not disbursed.** For example, if variable part financing is expected to support implementation of a teacher training activity, the country application should state what will happen to the activity if the variable part is not disbursed, or if there is delayed disbursement.

**Generally, there is no “year zero” disbursement of GPE variable part financing.** In the GPE funding model, a country may use the fixed part of the maximum country allocation (MCA) to finance implementation of those strategies that may lead to meeting variable part targets. However, some grant agent mechanisms may allow for a year zero disbursement, or an advance, in programs that are almost fully results-based.

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<sup>17</sup> The Education Program-for-Results in Tanzania provides an example of disbursement to local government.

## Frequently asked questions

### Can countries applying for an ESPIG allocate more than 30 percent of their MCA as results-based financing?

Yes, countries may allocate *up to 100 percent* of their MCA as results-based financing. On the [ESPIG application form](#), the country is asked to designate which targets should be assessed against GPE variable part assessment criteria. Other results-based financing included in the program may, but is not required to, meet GPE variable part standards.

### Are countries allowed to submit applications for the fixed part and variable part of the grant separately?

While allowed, this is *not recommended* as it increases transaction costs for all parties. Further, a delay in applying for the variable part can also undermine the value-add of variable part in driving implementation of the country ESP. For these reasons, a strong justification would need to be provided for splitting up the application.

**Are countries allowed to propose different grant agents for the fixed and variable parts?** While allowed, this is *not recommended* because it increases transaction costs for all parties, and in most cases, does not provide the best value for money. A strong justification would need to be provided for having more than one grant agent.

### Can you provide an example of a variable part proposal that has not been recommended for approval?

If a variable part proposal is not recommended for approval, it is usually because it has one or more shortcomings. Common issues seen in submitted applications include proposed targets are not a stretch or are direct outputs of the fixed part of the grant; the criteria of transformative effect (i.e., change at a system level/strong theory of change) is not met; a large share of variable part financing is placed on easy-to-reach targets; and/or indicator definitions or disbursement rules are not clear.

### How does GPE define *process*, *output* and *outcome* indicators?

Indicator level	Examples
<b>Processes:</b> the key steps required to ensure the production of outputs	Completion of critical activities required to meet output targets, such as change in government policy/regulation; completion of a strategy/ implementation plan; government processes such as obligating budget or adding relevant staff positions to payroll; on-time delivery of school grants
<b>Outputs:</b> the products, goods and services that result from program interventions	New classrooms completed, teachers trained, schools inspected
<b>Outcomes:</b> the expected short- and medium-term effects of the program; in some instances, intermediate outcomes also identified	Student enrollment; dropout, repetition, completion rate; pupil-qualified teacher ratio in disadvantaged areas; increase in teacher subject-matter knowledge (intermediate outcome), learning outcomes

Source: GPE/IIEP, Guidelines for Education Sector Plan Appraisal (Washington, DC: GPE, 2015).

Policy development/implementation, institutional change, service delivery and child development indicators may also be considered. In some contexts, process results (policy development and initial implementation) may demonstrate a stretch, or partial stretch.

**How many targets can be linked to variable part financing?** Country strategies may link financing to *multiple indicators and targets* in each dimension (i.e., equity, efficiency, learning outcomes). However, since verifying results has a transaction cost, applications for smaller grants may wish to propose a smaller number of funding-linked indicators.

**Are countries obliged to include all three dimensions in the proposal?** Yes, the country application is expected to include *at least one funding-linked indicator* associated with an ESP strategy *for each dimension* of equity, efficiency and learning outcomes.

**How should financing be allocated across dimensions?** GPE does not prescribe how funds should be allocated across dimensions of equity, efficiency and learning outcomes. In previously approved grants, no one dimension has been allocated less than 25 percent or more than 45 percent of the total variable part allocation.

**How is stretch assessed when financing is allocated across multiple indicators within one dimension?** Assessment of stretch may take into account the ambition of meeting all results-based financing targets included in the strategy. In previous application rounds, GPE has suggested that countries revise allocations if a large share of the results-based financing is linked to meeting a process or output target (e.g., a policy study or framework) that does not, in and of itself, meet the criteria of stretch. The matrix below provides an example of allocating variable part financing across three indicators/targets in the learning outcomes dimension. A variation on the table is for countries to link financing to two indicators, or to only the outcome target. However, if no financing is linked to the outcome target, the application should include a justification as to why not.

Level of indicator	Process	Output	Intermediate Outcome
Indicator and target	Design/approve INSET course on mathematics in grades 2 and 3	50% of grade 2 and 3 teachers complete INSET certificate course	70% of certificate holders show improved pedagogy (based on classroom observation)
Financing	\$500,000	\$750,000	\$750,000

**Are there any restrictions on the types of indicators GPE will accept?** Yes, GPE is unlikely to approve strategies where meeting a funding-linked target could have an *adverse effect* on the education system, teachers or learners. For example, linking variable part financing to student performance on high-stakes examinations is unlikely to be accepted by GPE. In some cases, GPE may request additional information on proposed indicators. For example, while reducing grade repetition can improve internal efficiency, GPE would expect the theory of change to explain how the country will address the underlying causes of repetition (as opposed to, for instance, simply adopting a policy of automatic promotion).

**Since financing is linked to results attainment, what are some risk-management strategies to consider?**

- Using scalable indicators to allow for partial disbursement.
- Linking funding to multiple indicators, such as process or output targets (to allow for early disbursement), and to outcome targets (to demonstrate stretch).

- Allowing for deferred disbursements so that delays in meeting targets do not require additional consultation with the grant agent or LEG. The GPE Grants and Performance Committee (GPC) has previously agreed that deferred disbursement of up to one year is allowable.

**Who is accountable for results attainment?** In the GPE model, the primary responsibility for results attainment is with the *country government*. However, even where the grant agent does not directly support activities required for meeting funding-linked results, the expectation is that the grant agent will support, to the extent feasible, and in coordination with partners, country progress toward results attainment.<sup>18</sup>

**What are some common challenges/lessons learned related to means of verification?** Some common challenges include (i) selecting an indicator that is difficult to accurately measure (or for which historical values are inaccurate), (ii) presenting an unclear or poorly defined target, (iii) not including a budget for completion of verification activities, and (iv) conflicting data/analyses between those provided by the ministry of education and those provided by the independent verification agent.

**What is a reasonable time frame between results verification and fund disbursement?** Many applications include verification and disbursement calendars that outline when (i) results data will be available and collected, (ii) results will be independently verified, (iii) LEG meetings for results validation will take place, and (iv) fund disbursement activities will be initiated and executed. Recent experience suggests that the amount of time between when results are achieved and when funds are disbursed can be from four months to one year. *In some countries, the disbursement timeline is linked to the country budget cycle.*

**Are all Multiplier ESPIGs required to include a variable part?** No. A country applying for a Multiplier grant where the allocation does not exceed \$5 million may choose to adopt, or to not adopt, an ex post variable part. For a country applying for an ESPIG and Multiplier grant at the same time and where the combined grant amount exceeds \$5 million, the standard 30 percent variable part applies to the combined grant amount. See the [Multiplier ESPIG Guidelines](#) for more details on the Multiplier and ex ante applications (below).

**What is an ex ante variable part and how do countries apply for it?** In an ex ante arrangement, the variable part is not linked to results attainment. Rather, the approval of the total allocation (fixed part and variable part) occurs prior to implementation. Under this approach, the variable part of the grant allocation is agreed based on a country's plan to undertake policy initiatives to drive progress in the three areas of equity, efficiency and learning outcomes as part of the ESP/TEP.

Only in exceptional circumstances should a partner developing country, in consultation with the LEG, request an ex ante approach. Exceptional cases may include a fragile context where capacity and the availability of funding are low, and where educational needs are critical in the short term. *The justification for the ex ante approach should be presented to the GPC for approval before the QAR I phase is concluded.*

**What happens if funding-linked targets are not met?** In the past when funding-linked targets have not been met, the variable part financing linked to the target has been cancelled or, depending on the context, grant restructuring, deferred disbursement and partial disbursement have been considered. During grant

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<sup>18</sup> Supervision costs may include support to the county progress toward meeting results-based financing targets.

implementation, progress toward targets should be closely monitored. In some circumstances, it is possible to make changes to proposed targets, but such requests need to be submitted to the GPC.

## Annex A. Country case study, Madagascar

In 2018, the GPE Board approved the Madagascar Basic Education Support Program (MBESP), a \$100.7 million program comprising \$55 million in IDA financing from the World Bank and \$45.7 million in GPE funding (of which \$14.7 million is GPE variable part financing).<sup>19</sup> MBESP is based on the Madagascar *Plan Sectoriel de l'Education (PSE) 2018–2022* and meets the GPE variable part criteria.

**Efficiency.** The *PSE 2018–2022* identifies improving primary school access, grade promotion and completion as critical priorities. Sector analysis shows that nearly 40 percent of enrolled children drop out before completing primary education. The analysis notes that dropout (and low attendance) is related to high levels of repetition in early grades, a school calendar ill-suited to agricultural livelihoods, high out-of-pocket schooling costs, school quality and distance to school, among other factors. To address these issues, the country adopted a **strategy to improve the promotion rate in the first two subcycles of basic education (primary) through selected national, regional and school-based interventions**. The country linked GPE variable part financing to the following **indicators/results**:

- (i) Official and effective first day of school calendar shifted to February (from November) to accommodate rural and agricultural communities and the rainy season
- (ii) Completion of subdistrict office education plans, which include interventions to improve promotion (target allows for up to 57 completed plans)
- (iii) Number of schools in eligible subdistricts (up to 11,050 schools) that have increased primary school promotion rate by 2 percentage points

**Equity.** The *PSE 2018–2022* recognizes disparities in basic education completion, learning outcomes and allocation of trained teachers as critical equity issues. Sector analysis identifies the importance of improving the allocation of trained teachers but notes a pupil-qualified teacher ratio of 196:1 in rural schools compared to 96:1 in urban schools.<sup>20</sup> To support improvements in equity (and learning), the country **strategy** proposes *to improve the equitable distribution of civil service teachers by focusing on their deployment to rural and remote areas*. The country linked GPE variable part financing to the following **indicators/results**:

- (i) Plan for deployment of recruited trained teachers during the program period (2018–2022) approved, following stakeholder consultation
- (ii) Number of newly trained civil service teachers assigned to rural and remote areas (up to 6,000 teachers during the program period)

**Learning outcomes** in primary education are identified as a key challenge in the *PSE 2018–2022*. Madagascar has participated in the Program for the Analysis of Education Systems (PASEC) since 1998; however, performance in recent years has declined: Only 17 percent of grade 5 public school students passed the “sufficient” threshold in reading skills in 2015 (compared to 41 percent in other PASEC countries). While acknowledging the many factors that affect learning outcomes, the *PSE* argues that efforts to rebuild the country learning assessment system can help address this challenge. To support learning outcomes improvements, the country proposes a **strategy to improve the monitoring of**

<sup>19</sup> World Bank, “Madagascar Basic Education Support Program,” Project Appraisal Document, October 30, 2017.

<sup>20</sup> In the case of Madagascar, “trained” refers to “civil servant” teachers, who are generally better trained than non-civil servant teachers.

*student learning at the beginning and end of primary school in French, mathematics and Malagasy.* The country linked GPE variable part financing to the following **indicators**:

- (i) Creation of an official evaluation unit in the Ministry of National Education (responsible for national-scale evaluations and results dissemination to deconcentrated levels), and a detailed plan for the first two years of operation.
- (ii) Publication of the results analysis, representative to the regional level, of the validated national assessments. Critical to meeting these targets is implementation of three standardized assessments of student learning in French, mathematics and Malagasy in 2019, 2020 and 2021.

## Annex B. Selected country ESP strategies and indicators

Table B.1 shares a selection of country sector plan strategies and targets in equity, efficiency and learning outcomes that have been proposed for the variable part and approved by the Board. GPE evaluation of proposed strategies and indicators includes an evaluation of country background and context: An indicator/target that is not a stretch in one context may be considered a stretch in a different context.<sup>21</sup> Other Board-approved variable part strategies and indicators can be found in the [GPE 2018 Annual Portfolio Review](#) (Annex 8a).

Table B.1. Selection of approved ESP strategies and targets proposed for variable part financing

Dimension	Strategy and indicators
Equity	<p><b>Strategy:</b> to reduce number of OOSC by (i) developing an equity index to identify disadvantaged districts and (ii) design and implement targeted interventions in the most disadvantaged districts to reintegrate OOSC into basic education and to provide non-formal education. <b>Indicators:</b> (i) equity index developed, (ii) targeted interventions implemented in most disadvantaged districts, and (iii) reduce the share of OOSC by 20 percent in intervention districts. <b>(Nepal)</b></p> <p><b>Strategy:</b> to reduce primary school dropout, targeting children from poor households, through redesign, expansion and more efficient implementation of the national primary education scholarship program. <b>Indicators:</b> (i) adoption of an equity-focused primary scholarship framework by the Ministry of Education and Ministry of Finance that targets children from poor households, removes exclusionary provisions and expands the intervention to include children in grades 1–3; and (ii) on-time payment (first month of the school year) of first tranche of scholarship to at least 60 percent of listed beneficiaries. <b>(Cambodia)</b></p>
Efficiency	<p><b>Strategy:</b> to reduce grade 1 dropout through (i) control of repetition and (ii) reduction of parent-paid fees. <b>Indicators:</b> (i) complete study on operationalizing strategies to fight primary school dropout, (ii) roll out and implement strategies, and (iii) reduce grade 1 dropout rate in low-efficiency provinces by 25 percent. <b>(Democratic Republic of Congo)</b></p> <p><b>Strategy:</b> to cope with the rapid increase in lower secondary school student population and promote learning, train teachers to teach in two subject areas and increase the number of hours taught each week by lower secondary education teachers. <b>Indicator:</b> (an increase in) weekly average teaching hours of teachers in lower secondary education. <b>(Cote d'Ivoire)</b></p>
Learning Outcomes	<p><b>Strategy:</b> improve learning through rebalancing the distribution of trained teachers, starting during the proposed time frame with eight disadvantaged districts and later scaling it up at the national level. <b>Indicator:</b> reduce by 20 percent the pupil-qualified teacher ratio in grades 1 and 2 in the eight most disadvantaged districts. <b>(Malawi)</b></p>

<sup>21</sup> As of September 2018, the Board has approved 11 country variable part applications; variable part financing has been disbursed to five countries based on attainment of results that reflect system progress toward improved equity, efficiency and learning outcomes.

	<p><b>Strategy:</b> improve school quality as measured by agreed-on school inspection standards and through training of pre-primary teachers, targeting low performing regions.</p> <p><b>Indicators:</b> (i) reduce the proportion of low-performing primary schools (level 1 in inspection standards) in the region with the highest share of these schools, and (ii) improve the learning environment of O-classes (pre-primary) in two emerging regions by increasing the capacity of O-class facilitators to deliver an early childhood education curriculum package. <b>(Ethiopia)</b></p> <p><i>Note: Teacher professional development can play an important role in improving student learning outcomes. Increasingly, however, when professional development results are proposed, GPE evaluation of the “ambition” and “relevance” of a results-based financing strategy will look for results beyond “teachers trained.” Such results may include changes in teacher knowledge or classroom practices.</i></p>
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## Annex C. Useful resources

- [GPE Strategic Plan and Results Framework](#)
- [ESPIG Guidelines](#)
- [ESPIG Policy](#)
- Country Level Process Guide
- GPE Variable Part Assessment Criteria and Guiding Questions
- [GPE/IIEP Guidelines for ESP Preparation](#)
- [GPE/IIEP Guidelines for ESP Appraisal](#)
- [GPE/IIEP Guidelines for TEP Preparation](#)
- [GPE/IIEP Guidelines for TEP Appraisal](#)