REPORT OF THE STRATEGIC FINANCING WORKING GROUP

For Decision

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

1.1 The purpose of this paper is to provide the Board with a progress update on the work of the Strategic Financing Working Group (SFWG) and to seek the Board’s endorsement of the overall architecture of the Financing and Funding Framework (FFF).

1.2 It should be recognized that approval of the detailed operational implications, eligibility, and allocation for each of the components of the FFF would be submitted for Board approval at its February 28–March 1, 2017 Board meeting, along with the Contributions and Safeguards Policy. The SFWG will be stress-testing the overall architecture prior to this final approval recommendation.

1.3 A policy on prioritization of resources in the event of insufficient financing being available following the next replenishment to fund all the mechanisms of the FFF at desired levels will be developed by the Governance, Ethics, Risk, Finance Committee (GERF) or its successor for initial consideration by the Board in June 2017.

1.4 The details of the FFF architecture are outlined in the SFWG Technical Working Paper which can be found here: BOD-2016-12-Background Working Paper on SFWG. Please note that the working paper is in draft, is under continuous revision and is NOT for approval or discussion. The link here is merely to afford Board Members access to the SFWG ongoing work. A Glossary of Terms is included as Annex 1 and an independent Dalberg assessment of the FFF is included in BOD/2016/12 DOC 8B.

2. EXECUTIVE SUMMARY

2.1 The SFWG believes that successfully delivering on GPE’s results framework and achieving the goals and objectives of GPE 2020 requires the introduction of a new FFF
that will enable GPE to more effectively mobilize and deploy new and better-structured finance. In line with the mandate provided by the Board, and taking into consideration the recommendations of the Education Commission, the SFWG is proposing an ambitious architecture for the FFF.

2.2 **The FFF is grounded in GPE’s vision** to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. It buttresses the Partnership’s aim to mobilize global and national efforts to contribute to the achievement of learning, equity, and effective and efficient systems through inclusive partnership and increased financing. The SFWG does not believe that business as usual will lead to the achievement of GPE 2020.

2.3 GPE’s current funding model is central to the FFF. The strength of GPE’s funding model will be key to attracting more financing, and more financing maximizes the potential impact of the model on education outcomes. Given this – and the important links between each of the financing and funding components of the FFF – this paper presents the FFF as a whole (both current and new elements). The FFF therefore helps create a virtuous cycle between GPE capabilities, resources, and impact. Operational strengthening efforts will continue throughout 2017 in preparation for the launch of the FFF in 2018.

2.4 The figure below provides a visual overview of the FFF.

---

Figure 1: Overarching view of the GPE Financing and Funding Framework

---

GPE mobilizes grant financing from public and private donors & through innovative instruments
Domestic financing

Results
Funding based on achievement of sector-wide results

Implementation
Needs-based allocation

Preparation
Planning and support for requirements

Efficient and effective systems

FUNDING FOR EDUCATION SECTOR STRENGTHENING

Support to reinforce systems investments

Results
Funding based on achievement of sector-wide results

Implementation
Needs-based allocation

Preparation
Planning and support for requirements

Efficient and effective systems

Innovation

Knowledge and good practice exchange

Advocacy and social accountability

Interface with ECW
TBD following hosting decision

Resources support education sector plans

Domestic financing
Public | Private

SUBJECT TO APPROVAL OF CONTRIBUTIONS AND SAFEGUARDS POLICY

---

GPE grant financing
Core | Targeted

GPE grants crowd in co-financing from MDBs & development partners, mobilize private capital for education investments; and insure countries against adverse shocks

Financing unlocked by GPE
MDB & development partners | Private investment | Disaster and political risk

SUBJECT TO APPROVAL OF CONTRIBUTIONS AND SAFEGUARDS POLICY

---

Quality Education for All Children
2.5 On the funding side, it equips GPE with mechanisms conceived to drive broader systems reform and enhanced performance, while allowing for a more differentiated approach across countries. This includes continued improvement of the GPE operating model and its provision of preparation funding to lay the foundation for strong education sector plans; implementation funding to provide predictable resources to countries to invest in reforms; results-based funding to encourage countries and their partners to work toward ambitious learning, equity, and effective and efficient systems goals aligned with GPE 2020 and beyond; and it introduces a more comprehensive approach to reinforcement funding to support a range of targeted needs across education sectors that cannot be sufficiently captured in any one implementation grant (e.g., advocacy). These four types of funding constitute one unified approach to strengthening education sectors.

2.6 On the financing side, the FFF provides a diverse set of financing opportunities needed to pursue education sector strengthening and reform. First, the foundation of a strong education sector is political leadership and domestic financing commitments. Second, to supplement public expenditures, GPE grant financing provides predictable resources to countries who commit to education strengthening and reform. Third, for financing unlocked by GPE, the FFF uses grants to leverage additional resources – from MDBs, international development partners, and the private sector – at scale for GPE countries. While the FFF offers enhancements to the first two aspects, this latter part is new. A Contributions and Safeguards Policy will mitigate key risks across these options.

2.7 These approaches take into account various recommendations from the Education Commission: substantially increase the overall levels of financing available to GPE, increase domestic financing commitments, mobilize greater private sector investment, and promote substantially greater and coordinated MDB and development partner financing.

2.8 In addition to the approaches described above, the FFF recognizes that GPE will interface and coordinate with Education Cannot Wait (ECW), although specific arrangements are subject to the development of the ECW operating model and processes. These will not be completed until January 2017, so the SFWG will come back to the GPE Board with specific recommendations for its February meeting.

3. BACKGROUND

3.1 In order to finance the implementation of GPE 2020 and in preparation for the next replenishment, the Board requested that a working group of the GERF and SPC be established to develop strategic financing recommendations by December 2016. The SFWG commenced work in
February 2016 and prepared a progress report to the Board for its June 2016 meeting (BOD/2016/06 DOC 15).

3.2. At that meeting, the Board mandated the SFWG (BOD/2016/06-06) with the support of an external firm (Dalberg) to proceed with 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 ambitions of GPE 2020, while also providing opportunities to mobilize additional financing from a wider range of sources” The Board also requested the SFWG (BOD/2016/06-08) to consider Dalberg’s work on the implications of GPE hosting Education Cannot Wait (ECW) and the implications for the FFF.

3.3. The SFWG held a number of audio conferences and two face-to-face meetings since the Oslo Board to advance this work. The report of the International Commission on Financing Global Education Opportunities (“Education Commission”) provided very useful information to assist the SFWG and Dalberg. Given the extent and complexity of the work, the Board agreed to consider the finalization of the FFF at a special Board meeting to be held on 28 February-1 March 2017. Board endorsement of the overall architecture in December will be key to reaching agreement on the details of the various components of the FFF in early 2017.

3.4. At the time of preparing this paper, the Board was undertaking a survey on the Contributions and Safeguards Policy. The outcomes of this survey will be presented in Cambodia for further feedback. The final CSP will be developed alongside the detailed FFF through December and January for Board approval in February 2017.

4. STRATEGIC APPROACH

4.1 The FFF recognizes that delivering on GPE 2020 will require going beyond “business as usual.” Under present trends, only 1 out of 10 young people in low-income countries (LICs) will be on track to gain basic secondary-level skills by 2030. Against this backdrop, the Partnership has committed to an ambitious set of goals in GPE 2020. The FFF will be essential for GPE to mobilize the scale and type of finance necessary to deliver on these goals.

4.2 The FFF therefore puts forward an integrated, ambitious approach to enable GPE to shift beyond “business as usual.” It builds on GPE’s current model, but proposes bold enhancements that bolster the Partnership’s investment case. It is a unified suite of funding mechanisms and corresponding financing approaches to develop, strengthen, and reform education sectors. Each component plays a critical role in achieving GPE’s goals. GPE will sequence the
The framework introduces elements of a stronger partnership relevant to all constituencies: countries, educators, donors, civil society, private sector and foundations, and multilateral development partners. For countries, the FFF provides a flexible set of financing and funding opportunities with which to pursue education for children. **This reinforces GPE's belief that transformation across all member countries cannot rely on a "one-size-fits-all" approach.** For educators, the FFF will reinforce and support GPE's renewed emphasis on learning outcomes, in line with SDG4. Given its bold approach to interacting with countries and unlocking diverse financing for GPE-endorsed sector plans, the FFF is attractive to donors who aim to further leverage their contributions to GPE. Through increased use of social accountability and advocacy, the FFF empowers civil society to drive further momentum behind systems transformation efforts. For multilateral agencies, private sector, and foundations, the FFF offers new ways for partners to
engage in systems transformation. **Overall, the FFF supports investments that are more powerful and have greater impact when GPE partners pursue them together.**

4.4 As represented in the diagram, the FFF builds on GPE’s current approach while proposing new enhancements and mechanisms. Throughout this paper color coding will be used to help facilitate reader comprehension, and link the text to the diagram.

- On the funding side, the FFF builds upon GPE’s strengthened operating model and its current approach to funding education sector planning and implementation. It recommends two overarching changes. First, the FFF seeks to maximize the potential of the current funding model by proposing new enhancements in three key areas: data, domestic resource mobilization, and alignment of international financing. Second, the FFF also introduces a set of new funding mechanisms in the areas of **Innovation, Knowledge and Good Practice Exchange, and Advocacy and Social Accountability** that reinforce the operating model.

- On the financing side, the FFF maintains GPE’s current approach of promoting increased volume of domestic financing commitments and unrestricted contributions to the GPE Fund from both existing and new donors. Here, it also recommends two overarching changes. The first is the use of GPE grant resources to unlock greater financing from other sources: MDB and development partners, private sector investment and country-level grants, and risk financing (pending further analysis supported by The Rockefeller Foundation). The second is more flexibility to access or mobilize new resources for education, including through domestic financing (public expenditure and country-specific private grant resources) and targeted financing contributions to the GPE Fund (subject to further exploration following the conclusion of the Contributions and Safeguards Policy development process).

4.5 The proposed FFF will no doubt raise valid questions as to the feasibility of successfully delivering on this approach. However with the right capacity, support of partners, and willingness to roll-out the more challenging and innovative approaches gradually over the coming years, learning and adapting them before any major scale up, GPE should be able to improve on what it is currently doing well, fix what needs to be fixed, and innovate and adapt to better address the challenges in the sector, taking advantage of existing opportunities to increase the overall levels of financing for education and improving how these funds are deployed.

4.6 2017 will require significant work and analysis to prepare the necessary foundation for rolling out the FFF shortly after the next replenishment concludes will be required. This will need to take place throughout 2017, especially for newer and more innovative approaches such as co-financing and leveraging of both MDB and private sector investment, and the introduction of a challenge fund
to promote innovation. GPE will need to carefully sequence this work and ensure that it rolls out new approaches in these areas initially on a limited scale taking a flexible and pragmatic approach to this work partnering with relevant and interested development partners, and developing countries. Lessons from the early stages would then form the basis for a more substantive scale up if financing is available.

4.7 BOD/2016/12 DOC 04 outlines preliminary results against the core indicators of the GPE Results Framework and highlights where further work is required within the partnership and implementing GPE 2020. The FFF is directly linked to the results framework and - in its enhancements to the operating model, in the reinforcing funding mechanisms and in the new financing instruments - the FFF seeks to bring additional leverage in achieving the ambitious targets set.

4.8 In summary, the new FFF provides GPE with the tools to deliver on GPE 2020 and beyond. 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.

5. APPROACH TO FUNDING

5.1 What GPE does now: GPE provides planning and implementation grants (i.e., ESPDG, PDG, ESPIG) to eligible developing countries. The Civil Society Education Fund (CSEF) – with $29 million for 2016-2018 – provides grants to national coalitions and networks to support their engagement in education sector policy, planning, budgeting and monitoring. The Global and Regional Activities program has also funded 15 projects with $31 million since 2013 in support for research, capacity development and knowledge sharing at the regional and global levels to accelerate the objectives outlined in GPE's previous Strategic Plan 2012-2015. While the GRA projects are in their final phase, GPE has initiated the development of two Knowledge and Good Practice Exchange initiatives in 2016 through targeted funding in the areas of early learning and learning data: Better Early Learning and Development at Scale (BELDS) and Assessment 4 Learning (A4L). These initiatives are the first pilots in the new approach to KGPE that was adopted by the Board in Oslo and which allows for notional earmarking of targeted contributions for activities in this area.

5.2 How the FFF builds on this approach: The FFF: i) proposes further enhancements to strengthen GPE’s current planning and implementation grant mechanisms, and ii) puts forward a set of new funding mechanisms in innovation; knowledge and good practice exchange; and advocacy and social accountability that reinforce the operating model.
5.3 **Why this is important:** GPE approaches education sector transformation by promoting learning, equity, and effective and efficient systems goals. Achieving the country-level objectives of GPE 2020 – strengthened education sector planning and policy implementation; strengthened mutual accountability through inclusive policy dialogue and monitoring; and efficient and effective delivery of GPE support – requires planning funding to develop credible education sector plans (ESPs) and implementation funding to invest in these plans. Results-based funding further encourages countries to achieve ambitious learning, equity, and effective and efficient systems goals. Beyond this, GPE 2020 country- and global-level objectives require new reinforcing investments to achieve GPE 2020 goals. Although aligned with near- and/or long-term education system goals, many of these investment areas often go unfunded or unaccounted for in implementation grants to governments – and therefore require a more differentiated funding approach.

5.4 The versatile architecture of the FFF enables GPE to operate a set of funding mechanisms that collectively position the Partnership to deliver on its Strategic Plan, and ultimately, SDG4. These funding mechanisms support varying priorities at the country and global levels, from education sector planning to innovation partnerships. They collectively strengthen and reinforce the operating model. The sections below discuss four types of funding included in the FFF: preparation, implementation, results-based, and system reinforcement.

5.5 **What is Preparation Funding?**

**Preparation funding lays the foundation for education sector strengthening by promoting evidence-based policy development, dialogue, and national capacity building.** Specifically, GPE provides dedicated resources for education sector analysis, planning, and sector plan development (e.g., ESPDG) as well as program development (e.g., PDG). The FFF provides opportunities to strengthen the sector planning process – such as enhanced approaches to building national capacity – in order to reinforce the GPE 2020 goal of improving the quality of GPE-endorsed sector plans.

5.6 **What is Implementation Funding?**

**Implementation funding provides predictable resources for a broad range of funding needs aligned to GPE-endorsed sector plans.** The FFF will continue to allocate implementation grant funding to eligible countries based on education sector need, providing each eligible country a maximum country allocation (MCA), as determined by GPE eligibility and allocation criteria and methodologies. The FFF builds on operational reforms related to implementation grants. Key issues related to the domestic financing requirement, alignment of international financing, and GPE’s approach to results-based funding are under consideration by the
Country Grants and Performance Committee (CGPC) as a part of its efforts to capture lessons learned and areas for enhancement based on early implementation of the new funding model. The SFWG recognizes that further improvements to these aspects of the operational model will contribute to the overall strengthen of the FFF.

To maximize the potential of the funding model, the FFF allows the flexibility to make additional enhancements to strengthen GPE’s ability to deliver on GPE 2020. Enhancements under consideration relate to the data requirement, the domestic financing requirement, and alignment of international financing – additional detail on the enhancements can be found here: BOD-2016-12-Background Working Paper on SFWG. These enhancements build on GPE’s operational reforms.

The SFWG also recognizes that GPE plays a role in emergencies and protracted crises contexts. Therefore, it must consider how GPE interfaces with Education Cannot Wait (ECW), regardless of hosting decisions. The SFWG has also discussed possible roles GPE could play in emergencies and protracted crises to complement the work and role of ECW, without hosting ECW. This could involve enhancements to the current funding model and/or reinforcing mechanisms. However, no decisions will be made until the ECW design has progressed further. Therefore, Figure 1 includes a placeholder for GPE’s interface with ECW, which will be further defined in advance of the February 2017 Board meeting.

5.7 What is Results-Based Funding?

Results-based funding incentivizes countries and their partners to work toward ambitious sector-wide learning, equity, and effective and efficient systems goals aligned with GPE 2020. Eligible countries (e.g., countries with an MCA) only receive results-based funding if they achieve pre-defined outputs or outcomes related to GPE’s three strategic goals. GPE will continue to optimize the impact of its results-based financing approach. Further strengthening the results-based financing approach will contribute to the potential for leveraging and co-financing.

5.8 What is Reinforcement Funding?

Reinforcement funding ensures that key elements of the GPE operating model, particularly mutual accountability, can be fully operationalized, enhancing the overall impact of GPE’s work. Collectively, these mechanisms are required for education sector transformation and are therefore core to GPE’s funding approach. However, they address needs that, while potentially included in ESPs and TESP, are not adequately supported by implementation
funding. This could be because these needs are cross-national or global in nature (e.g., knowledge exchange or advocacy) or have historically not been prioritized in grants given other nearer-term priorities (e.g., innovation). They represent different approaches or strategies to achieve GPE’s learning and equity goals (and thematic objectives), while contributing to the overall strengthening of the education sector.

The **FFF includes new reinforcement funding mechanisms related to innovation; knowledge and good practice exchange; and advocacy and social accountability.**

- **Innovation**, a key transformation area identified by the Education Commission, is needed to accelerate progress towards GPE’s ambitious goals to promote learning and equity. The GPE Innovation Challenge Fund will focus on testing and scaling up middle-phase innovations related to in-country service delivery through collaborations between state and non-state actors. To ensure a strong link to GPE’s core funding model, any Challenge Fund application would need to map to GPE’s core business model and its goals, in addition to being endorsed by the government and Local Education Group. Eligibility will be informed by the Private Sector Engagement Strategy. Until that time, for-profit, fee-paying operators will be ineligible.

- **Knowledge and good practice exchange** funding aims to expand GPE’s investments in knowledge exchange, building on the KGPE strategy adopted by the Board in June 2016. It responds to an expressed demand from developing country partners and is critical for enhancing overall performance as well as disseminating learnings from good practice across countries. The objective will be to fully leverage cross-border knowledge and good practice exchange and develop global public goods. Knowledge funding would center on several pre-determined thematic initiatives, offering a variety of modalities for engaging.

- **Advocacy and social accountability** funding supports advocacy and social accountability activities for education financing and improved learning and equity outcomes. Enhancing accountability, transparency, and social mobilization through concerted efforts across members of the Partnership is critical for the adoption of good policies, technically sound practice, and political change in support of education. This will ultimately drive performance and, ideally, additional financing. The advocacy and social accountability funding will support the successor program to CSEF, as well as a complementary program for better leveraging cross-national advocacy capacity through a broader range of actors. It will also strengthen social accountability platforms and entities in partner countries to improve the evidence base on local level outcomes. Work would be conducted through an arms-length grant-making intermediary and would not advocate directly for GPE funding, as this is a separate mandate of the Secretariat.
5.9 In the future, the FFF will remain flexible to address other priorities that meet the criteria to receive reinforcement funding. Most immediately, the FFF will need to capture how GPE interfaces with Education Cannot Wait (ECW), as discussed above. Second, if the FFF is approved, GPE will need to consider a strengthened approach to policy advice and capacity development for country partners.

6. APPROACH TO FINANCING

6.1 **What GPE does now:** GPE mobilizes [unrestricted grant financing](#) – primarily from public sector donors – through multi-year replenishment campaigns. Country partner governments also make [domestic financing](#) commitments, allocating public expenditures to support GPE-endorsed sector plans.

6.2 **How the FFF builds on this approach:** There are two overarching changes recommended. The first is the use of GPE [grant resources to unlock greater financing](#) from other sources: MDB and development partners, private sector investment and country-level grants, and risk financing (pending further analysis supported by The Rockefeller Foundation). The second is [more flexibility to access or mobilize new resources for education](#), including through domestic financing (public expenditure and country-specific private grant resources) and targeted financing contributions to the GPE Fund (subject to further exploration following the conclusion of the Contributions and Safeguards Policy development process).

6.3 **Why this is important:** GPE requires more and better financing to increase the leverage of its funding model. The [FFF aims to bring in additional resources to support the GPE funding model at the country level](#). This means more money going toward development and implementation of education sector plans, as well as support for the new reinforcement funding mechanisms described above.

The FFF recognizes that financing education transformation requires a tailored and sophisticated approach. GPE must therefore work with each country to develop the most appropriate financing package linked to the GPE model to address its priorities, and ultimately, improve learning outcomes for children. A well-functioning education system hinges on sufficient and well-structured finance. It includes political leadership, domestic financing commitments, international financing to fill gaps, and better-structured financing.

**The FFF therefore seeks to mobilize more and better-structured financing through a more diverse range of sources that connect to GPE’s operating and funding model.**
sections below discuss three broad financing approaches, which capture the overarching direction of the SFWG’s ongoing work: domestic financing, GPE grant financing, and financing unlocked by GPE.

6.4 What is Domestic Financing?

First, GPE must continue to support countries in raising and committing the domestic resources necessary to ensure that national education systems rest upon strong, sustainable foundations. Domestic commitments will continue to provide the majority of resources for the implementation of GPE-endorsed ESPs. Beyond the current focus on public expenditures, GPE will support countries in pursuing opportunities to mobilize financing from non-state actors (e.g., local companies, philanthropic actors, high-net-worth individuals). This will require a tailored, facilitative approach in each country that will link to GPE’s Private Sector Engagement Strategy (when finalized). Lastly, in a limited number of cases, GPE will work with countries to secure debt relief from lenders and re-invest these resources in education. GPE will only pursue debt relief when a lender or country presents a specific opportunity.

6.5 What is GPE Grant Financing?

Second, GPE must mobilize grant financing in order to fill key gaps (through the funding mechanisms discussed above), particularly in the poorest countries.

- **Unrestricted**: The FFF continues to mobilize unrestricted core grant resources from existing and new donors. This includes private foundation contributions to the pooled GPE Fund. It will do so primarily through multi-year replenishment campaigns – led by the GPE replenishment team and supported by external champions and high-profile public figures – that emphasize the institutional investment case for GPE. To complement the replenishment cycle, GPE will position itself as a delivery channel for new, high-potential financing instruments for education, such as education sector bonds and voluntary levies (should they be developed).

- **Targeted**: While GPE could deliver the FFF through unrestricted grant financing alone, options to pursue targeted financing are under consideration, pending results from a Partnership-wide consultation and subject to approval of a Contributions and Safeguards. GPE would only mobilize targeted financing for specific GPE mission-aligned uses of funds, whether from current or new donors. Targeted financing will be designed so as to not detract from or cannibalize core GPE grant financing, and will represent a smaller proportion of overall GPE finance relative to unrestricted grant contributions. A targeted financing approach is part of GPE’s efforts to maximize its contribution to total education spending over the coming years, and build on recent Board decisions to pilot specific targeting with respect to Stage 1 of KGPE. If GPE wished to
maintain the current structure of a single multi-donor Trust Fund, targeting would have to be undertaken on a notional allocation or ‘soft targeting’ basis, mirroring the approach currently taken for receiving targeted contributions for KGPE. The Trustee has noted that hard targeting is not possible under the current structure of the GPE Fund. In the absence of a targeted financing mechanism, unrestricted grant contributions will support all funding mechanisms across the FFF, including both country allocations in the core funding model as well as new reinforcing funding mechanisms.

### 6.6 What is Financing Unlocked by GPE?

Third, given the scale of financing gaps countries face, GPE will work to unlock other additional financing from other development partners, private sector donors and investors, and capital markets.

- **MDB and development partner financing:** The FFF puts in place a more systematic approach to leveraging MDB and development partner co-financing for GPE-aligned education sector investments. Co-financing is defined as partner resources going toward the implementation of activities in a GPE-endorsed sector plan in a coordinated and aligned way, while the partner’s resources do not pass through the GPE Fund. This definition is specific to the context of the FFF. The FFF seeks co-financing that is harmonized with GPE processes, brings more resources toward the GPE model, and meets quality standards. In working with MDBs, GPE grants would be combined with MDB financing (e.g., concessional loans) to form a larger and better coordinated results-based financing program at the country level. The joint financing package provided by the MDB and GPE (including the extent of loan concessionality) will be tailored to each country based on need and fiscal capacity to take on greater debt for education. IDA grant co-financing may be more relevant for an LIC with a risk of debt distress, whereas a loan buy-down may be more relevant for a lower-middle-income country (LMIC). In the medium- to long-term, GPE’s efforts to collaborate more systematically with MDBs could link to the MDB Investment Mechanism proposed by the Education Commission – which will be further developed in the coming year – technical working paper [BOD-2016-12-Background Working Paper on SFWG](#) has additional detail on what the MDB mechanism is and how GPE’s efforts relate to it]. In working with other development partners, GPE will pursue greater opportunities to align co-financing with bilateral grant agents. GPE will pilot this financing approach in a small number of countries to test suitability and limit transaction costs before consideration of further scale up.
• **Private sector financing:** The FFF also provides an opportunity to use a small amount of GPE grant financing to mobilize additional financing from the private sector, including both private investment capital and private grant financing. First, mobilizing private investment capital entails private sector participation in education sector investments that require a financial return to incentivize investment to take place, e.g., financing of school or supporting infrastructure. GPE’s role would be to help facilitate ESP-aligned private sector investments and/or provide a small amount of grant finance to make private investment viable through a “blended” finance structure. Second, mobilizing private grant financing entails crowding in grant contributions from private sector organizations at a country level, including philanthropic foundations, businesses, and individuals. For both approaches, GPE would work with interested countries to help them pursue these financing resources and direct such financing sources to areas aligned with the GPE-endorsed sector plan. Therefore, these resources would not pass through the global GPE Fund.

• **Disaster and political risk financing:** The FFF includes the opportunity to use disaster and political risk finance to unlock additional sources of financing for countries facing adverse shocks. Risk finance could be used for both natural disasters and for political and socio-economic crises. Two scenarios exist, depending on whether the intended recipient of the financing is GPE itself or a set of individual countries. Both options aim to provide predictable, rapid financing for countries that face specific perils. Additional work to explore specific options for GPE to pursue is underway with financial support from The Rockefeller Foundation. Further details and recommendations on these options will be presented to the Board in February.

6.7 Collectively, these diverse finance arrangements can achieve high leverage per dollar of GPE grant resources invested. They also reflect the recommendations made by the Education Commission regarding where GPE is likely well-positioned to provide support, in line with its comparative advantages in the education financing architecture. The Commission specifically calls for increased domestic resource mobilization; establishment of a MDB investment mechanism for education in close collaboration with GPE; and increased private sector investment (including through innovative financing instruments such as disaster insurance for education).

---

1 As discussed above, private contributions (e.g., from foundations) to the pooled GPE Fund are categorized as part of GPE’s grant financing, whether unrestricted or targeted.
7. **RECOMMENDED DECISIONS**

Under present trends, only 1 out of 10 young people in Low Income Countries will be on track to gain basic secondary-level skills by 2030. Recognizing the untapped potential of an entire generation, the world is rallying around these young people through Sustainable Development Goal 4, pledging to deliver high quality education to all children as a fundamental human right. As the only multilateral entity devoted exclusively to mobilizing financial and political support for bold advancements in education systems, GPE is the major platform to champion these efforts. GPE 2020 commits to an ambitious set of goals that will improve education outcomes for children across a large number of developing countries. GPE’s new Financing and Funding Framework (FFF) has been designed to enhance and maximize the impact of GPE’s strengthened operational model. The FFF will enable GPE to realize a step-change in the level and quality of finance mobilized for global education transformation efforts. It provides the Partnership with a comprehensive and essential set of new capabilities to ensure all children realize their right to education.

While these decisions are compartmentalized, it should be noted that all components of the FFF play essential, inseparable roles required for the success of the FFF and GPE 2020 and should be understood as a logical whole. Given this context, the SFWG recommends the Board approve the following decisions.

**BOD/2016/12-XX—Financing and Funding Framework:** The Board of Directors:

1. Recognizes that GPE will need a step-change in its approach to funding and financing to achieve the level of ambition that GPE 2020 calls for, in order to maximize the unique window of opportunity for increased commitment to education outcomes, and to underpin a successful replenishment round.

2. Endorses the proposed ambitious architecture of the Financing and Funding Framework (FFF) as outlined in BOD/2016/12 DOC 08A as a means of achieving this step-change.

3. Notes that, in order to deliver on GPE 2020, the FFF should:
   a. Consider the opportunities for strengthening the current funding and operating model, given its centrality to GPE goals (while referencing other committees’ work in this area).
   b. Include funding mechanisms in the areas of i) Innovation, ii) Knowledge and Good Practice Exchange, and (iii) Advocacy and Social Accountability that reinforce the operating model.
   c. Enable GPE to leverage new and better structured forms of financing for education, including through:
      (i) co-financing of education sector programs at a country-level with multilateral development banks and other development partners, including loan buy-downs.
(ii) crowding in of private investment capital to strengthen education sector outcomes.

(iii) disaster and political risk financing (subject to further exploration following the conclusion of The Rockefeller Foundation-supported analytical exercise).

d. Enable GPE to become more flexible in accessing or mobilizing new resources for education, including through:

   (i) domestic financing (public expenditure and country-specific private grant resources).

   (ii) targeted financing (subject to further exploration following the conclusion of the Contributions and Safeguards Policy development process).

4. In order to finalize the FFF for approval in February, 2017, requests the Strategic Financing Working Group to:

   a. Develop a proposal on eligibility for and allocation of GPE resources for the relevant components of the FFF

   b. Work with the external firm to further stress-test the FFF and outline the operational implications and roadmap for development and rollout of the various components of the FFF

   c. Consider implications of Education Cannot Wait on the FFF pending the finalization of the operating model design, as was mandated in BOD/2016/12 DOC 18.

8. **NEXT STEPS**

8.1 Subject to Board approval of the architecture of the FFF, the SFWG will stress-test the design and then prepare the detailed FFF proposal with eligibility and allocation recommendations as well as the operational implications for full Board approval in February 2017. This will be accompanied by a final Contributions and Safeguards Policy, also for Board approval.

9. **PLEASE CONTACT** Charles Tapp (ctapp@globalpartnership.org) or Padraig Power (ppower@globalpartnership.org) in the GPE Secretariat.

10. **ANNEXES AND FURTHER INFORMATION**

Annex 1: Glossary of Terms

BOD/2016/12 DOC 08B Dalberg Assessment on GPE’s Financing and Funding Framework
ANNEX 1 – GLOSSARY OF TERMS

**Strategic Finance: Financing and Funding Framework (FFF)**

Glossary of Terms

This glossary aims to provide a common definition and understanding of terms that are widely used within the FFF work stream for consistency and alignment. However, this glossary is not an exhaustive list of terms used to describe the Financing and Funding Framework and its constituent elements.

**Financing and Funding Framework (FFF):** How all of the partnership’s financing and funding elements are organized and relate to each other. The framework includes eligibility criteria, allocation approaches, new and existing funding mechanisms, the funding model requirements used for each funding mechanism and the financing sources and instruments for all GPE resources.

**Funding:** Resources deployed by the GPE funding platform to support country and global-level activities in support of GPE 2020. Funding refers to *money out*.

**Financing:** Resources mobilized toward the GPE funding platform (e.g., grants) or resources unlocked through other channels (e.g., loans from MDBs) in support of GPE activities. Financing refers to *money in*.

**Funding mechanism:** The type of GPE funding provided to developing country partners or other non-state recipients to support specific activities. Funding mechanisms include both existing types of funding (e.g., through the current funding model) or additional proposed funding mechanisms (e.g. innovation, knowledge and good practice exchange, or advocacy and social accountability funding mechanisms). It is possible for a funding mechanism to have more than one funding window (see below definition)

**Funding window:** Within a given funding mechanism, the channel(s) through while GPE disburses funds to particular target recipients for specific end uses. Current GPE funding windows include: Education Sector Plan Development Grants (ESPDGs), program Development Grants (PDGs), Education Sector Plan Implementation Grant (ESPIG, Global and Regional Activities (GRA) grants or grants from the Civil Society Education Fund (CSEF).

**Financing instruments:** The channels through which donors and investors can contribute finance to GPE in support of country or global activities.

**Co-financing:** Partner resources going toward the implementation of activities in a GPE-endorsed sector plan in a coordinated and aligned way, while the partner's resources do not pass through the GPE Fund. This definition is specific to the context of the FFF.

**Blended finance:** The strategic use of public and philanthropic funds to attract private capital towards investments that can deliver development impact in emerging and frontier markets (World Economic Forum definition)
Concessional: Concessional loans that are extended on terms substantially more generous than market loans. The concessionality is achieved either through interest rates below those available on the market or by grace periods, or a combination of these. Concessional loans typically have long grace periods (OECD definition)

Top-ups: Additional implementation funding delivered through the same funding mechanism to supplement the original allocation amount provided to a country as an incentivize or reward for additional activities in specific areas

Financing vehicle: A structure that houses a pool of resources (e.g., the GPE Fund, a new matching fund, etc.). In many cases, the vehicle receives financing contributions (e.g., grants from donors) and disburses funding to end recipients (e.g., GPE grant agents)

Contributions and Safeguards Policy: A contributions policy with appropriate safeguards that outline the circumstances in which targeted contributions would be allowed.

Targeted financing: Resources mobilized toward the GPE funding platform that are designated for specific end use(s); analogous to “targeted contributions”.

Targeted contributions: Resources mobilized toward the GPE funding platform that are designated for specific end use(s); analogous to “targeted financing”.

Proportionality: An outline of the proportional distribution of GPE funding across all funding mechanisms in the FFF as a percentage or ratio.

Allocation: Methodology to determine the amount of resources an end recipient (e.g., country) should receive from each funding mechanism.

Eligibility: Criteria that determines which countries or actors are able to apply for different types of GPE funding.

ESPIG allocation: The total amount of Education Sector Program Implementation Grant (ESPIG) funding a developing country partner can access, determined by the ESPIG allocation formula’s weighted criteria.

Current Funding Model: The approach used to structure and deliver ESPIGs. Under the current ESPIG funding model introduced in 2014, eligible countries can receive 70% of their maximum allocation based on a credible education sector plan endorsed by national and international partners, the commitment to collect and analyze data to better manage their education system, and an increase in domestic spending on education up to at least 20% of the national budget. To receive the remaining 30% of the allocation, countries must demonstrate significant results in three essential dimensions of the education system: equity, efficiency, and learning outcomes.

Strategic Goals (as defined in GPE2020):
1. Improved and more equitable student learning outcomes through quality teaching and learning.
2. Increased equity, gender equality and inclusion for all in a full cycle of quality education, targeting the poorest and most marginalized, including by gender, disability, ethnicity and conflict or fragility.

3. Effective and efficient education systems delivering equitable quality educational services for all.

**Strategic Objectives (as defined in GPE2020):**

1. Strengthen education sector planning and policy implementation.
2. Support mutual accountability through effective and inclusive sector policy dialogue and monitoring.
3. Ensure efficient and effective delivery of GPE support.
4. Mobilize more and better financing.
5. Build a stronger partnership.