

DOMESTIC RESOURCES, MONITORING OF COMMITMENTS AND CONSEQUENCES WHEN COMMITMENTS TO GPE ARE NOT MET: REPORT FROM THE GRANTS AND PERFORMANCE COMMITTEE

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. It is understood that constituencies will circulate Board documents among their members prior to the Board meeting for consultation purposes.

1. STRATEGIC PURPOSE

1.1 The purpose of this paper is to request the Board to approve the recommendation from the Grants and Performance Committee for a process for monitoring delivery on domestic financing commitments made by governments of developing country partners in fulfilment of the domestic financing requirement of the Global Partnership for Education (GPE) funding model, and a policy for taking appropriate actions when these commitments are not met.¹

Summary of Committee Deliberations

- This paper was developed following the October 23-25, 2017 meeting of the Grants and Performance Committee and summarizes the discussion and recommendations in full.

2. EXECUTIVE SUMMARY

2.1 The Financing and Funding Framework approved by the Board in March 2017 calls for several urgent actions to strengthen the implementation of the Operational Framework on Requirements and Incentives in the GPE Funding Model (Funding Model). This includes improving the accountability for domestic financing commitments. Specifically, the Board requested the Secretariat to develop: (1) a process for monitoring domestic resource commitments made as a basis for satisfying the requirements of an approved ESPIG application, for GPC approval, and (2) a policy

¹ In response to BOD/2017/03-06.7.b - Financing and Funding Framework

for taking appropriate action where the commitments are not being met, for Board approval by the end of 2017 (BOD/2017/03-06.7.b).

2.2 The Funding Model already sets out broad provisions on monitoring and verifying domestic financing commitments by countries and actions that the Board can take when delivery on these commitments is not realized (summarized in Annex 1). However, the Funding Model text is not sufficiently clear on roles and responsibilities, definitions, mechanisms, timing, capacity and decision-making. Further, fair and consistent implementation of the provisions depends on clear parameters around the domestic financing requirement and the availability of timely and reliable data to verify whether commitments have been met.

2.3 In addition to the above challenges, the Funding Model text also includes elements that in hindsight are not fit for purpose. For example, the important role of making recommendations on corrective actions when commitments are not met is largely left with the Local Education Group (LEG). However, LEGs may not all have the capacity, skills and experience to monitor financing. In addition, the LEG has an inherent conflict of interest as its members include the government and grant agent. Furthermore, the text proposes freezing or cancelling the *current* grant without taking into account the challenges that financial data may not be readily available or complete in order to make sound decisions within the short lifetime of GPE grants. Nor does it consider that Financial Procedures Agreements and Grant Agreements govern conditions for freezing or cancelling existing grants.

2.4 Based on these considerations, the GPC recommends that the Funding Model provisions on monitoring and verifying of commitments be further elaborated and improved based on the partnership principle of mutual accountability, and with a view to ensure monitoring and follow-up actions are strategically targeted to help drive more and sustainable domestic financing for education in line with GPE's Strategic Objective 4. Hence, the GPC advises the following:

Step 1: Data. The GPC recommends using Indicator 10 data collected annually for the GPE Results Framework and processed by UNESCO Institute for Statistics (UIS) as the first indication of measuring progress against commitments.

The GPC at its October 23-25 meeting adopted a formula equivalent to Indicator 10 for assessing whether a country's domestic financing commitment as set out in the grant application meets the Funding Model requirement on the share of the national budget allocated to education². To the

² In countries where 20 percent or more of domestic resources are allocated to education, GPE seeks commitment to at least maintain current levels; while for countries where current levels are lower than 20 percent, GPE seeks Government commitment to increase the domestic share of resources to education progressively towards 20 percent.

extent possible and for efficiency gains, Indicator 10 data will therefore also be used as a first indication of progress against commitments. It is expected that this will involve some back-and-forth dialogue with country-level partners to ensure completeness and accuracy of data.

Step 2: Monitoring Mechanism. Based on the Indicator 10 data, the Secretariat will monitor delivery on commitments on a country-by-country basis through the Operational Risk Framework, and in the aggregate in the Portfolio Review, using a traffic-light approach. The Secretariat will report back to the government and its partners where countries appear to not be delivering on commitments, requesting the LEG to discuss the situation. Where appropriate, if other partners lack capacity or presence to do so, the Secretariat may assist countries in assessing causes of not delivering on commitments and exploring corrective actions.

Step 3: Assessment of delivery on domestic financing commitments and need for justification if commitment is not met. At the time of application for the next grant, the assessment of whether a country has delivered on its previous financing commitments will be integrated in the existing quality assurance framework that is used to verify that the country's grant application meets the funding model requirements. The monitoring mechanism will alert the country early on if delivery on annual commitments appears not be met, and encourage corrective actions. If the country is flagged as "yellow" or "red" in the Operational Risk Framework, the government will be responsible for providing sufficiently strong justification for why commitments have not been met. The GPC will assess the justification. In exceptional cases, the Committee can recommend that the Board not approve a new grant, or reduce or delay the grant until corrective measures are taken. The GPC can also recommend that corrective actions be financed from the new ESPIG grant.

2.5 Should the Board approve the GPC proposal, the Secretariat will revise the Funding Model accordingly and elaborate further as needed, for GPC review and Board approval in June 2018.

3. RECOMMENDED DECISION

3.1 The Grants and Performance Committee recommends the Board approve the following decision:

BOD/2017/12-XX-Resource Commitments by Developing Country Partners for ESPIGs: The Board of Directors in reference to BOD/2017/03 7.b.1-Financing and Funding Framework:

1. Notes that the provisions on verification, monitoring and consequences in the *Operational Framework for Requirements and Incentives in the Funding Model of the Global Partnership for Education* (Funding Model) are no longer fit for purpose, nor helpful to countries in

mobilizing and monitoring more and sustainable domestic financing for education, especially those countries in fragile and conflict situations where budget realities are particularly challenging.

2. Agrees that domestic financing commitments are monitored and reported through established mechanisms, specifically the Operational Risk Framework and Portfolio Review.
3. Agrees that the assessment of delivery on domestic financing commitments takes place through the established process for considering the funding model requirements in the upstream grant approval process for the next grant, with the government responsible for providing sufficiently strong justification in cases where commitments linked to the previous grant are not met.
4. Where there is no robust justification, requests the Grants and Performance Committee in its recommendations to the Board on ESPIG applications for the next funding period to consider whether there is a need for the proposed grant budget to specifically address underlying issues that hinder domestic financing allocation and expenditure, or whether, in exceptional cases, to not recommend a new allocation.
5. Requests the Secretariat to revise the provisions on verification, monitoring and consequences for non-delivery in the Funding Model accordingly and further elaborate where needed, including ensuring adaptations around the requirements for countries in fragile context are provided for, for the Grants and Performance Committee's review and Board decision in June 2018.
6. Noting the GPE principle of mutual accountability, calls on GPE Partners from all constituency categories to prioritize delivering on their commitments.

4. BACKGROUND

4.1 The Financing and Funding Framework approved by the Board in March 2017 calls for several urgent actions to strengthen the implementation of the *Operational Framework for Requirements and Incentives in the GPE Funding Model* (Funding Model). This included improving the accountability for domestic financing commitments. Specifically, the Board requested the Secretariat to develop: (1) a process for monitoring domestic resource commitments made as a basis for satisfying the requirements of an approved ESPIG application, for GPC approval, and (2) a policy for taking appropriate action where the commitments are not being met, for Board approval by the end of 2017.³ The actions are intended to strengthen GPE's support to and leveraging of domestic finance mobilization, which is an important objective in both GPE 2020 and the Education Commission Report.

³ [BOD/2017/03-06 7.b.1.–Financing and Funding Framework](#)

4.2 The Secretariat notes that the Funding Model provides a broad framework for monitoring, verification and consequences for non-delivery on financing commitments (see Annex 1). However, upon review, the Secretariat has identified significant gaps in specificity with regard to definitions, criteria and operational details. For example, the Funding Model does not address:

- what data should be considered in determining whether the domestic financing requirement is met; how to address gaps in financial data availability or timeliness;
- specific roles and accountabilities of stakeholders, as well as inherent conflicts of interest in the proposed framework;
- parameters for decisions on ‘freezing’ or how to determine the amounts or percentage by which grants would be reduced;
- explicit consideration of country context when commitments are not met, although the role of the LEG in determining what circumstances warrant leniency is implicit.

4.3 In September, the Secretariat consulted a group of developing country partner (DCP) representatives⁴, on the relevant provisions in the Funding Model and the Board’s request for a framework to monitor commitments and a policy on actions when commitments are not met. The consultation formed the basis of a discussion paper for the GPC, which included a summary of the DCP consultation outcomes (GPC/2017/10 DOC 09). The proposed policy on consequences for non-delivery on financing commitments in this paper is significantly informed by that consultation.

4.4 The GPC at its October 23-25 meeting agreed that the Funding Model text on monitoring, verification and consequences of non-delivery on the domestic finance commitment is no longer fit for purpose.

4.5 In particular, the GPC noted that the Funding Model designates the LEG to monitor commitments, but that many local education groups lack capacity on domestic finance issues⁵. In addition, it was noted that the LEG has a conflict of interest as both the government and the grant agent stand to lose if commitments are deemed not met and financial actions are taken. Other LEG members may also hesitate to propose freezing of funding to ongoing grant activities and would likely be more usefully engaged in exploring ways to address underlying causes of the government’s non-delivery on commitment, such as efficiency or capacity gaps.

⁴ The group was convened to discuss the designs of the Knowledge and Innovation Exchange (KIX) and Advocacy and Social Accountability (ASA) funding mechanisms

⁵ The Secretariat is currently working on guidelines for the monitoring of national education budgets. These guidelines are meant to equip national level stakeholders, especially the members of the LEG, with the foundational knowledge on education sector budgets and henceforth, be better able to engage in policy dialogue and monitoring of the education sector budget development and expenditure management process.

4.6 The Committee also highlighted that freezing or canceling grants during implementation would risk interrupting children's education and the implementation of the sector plan. Furthermore, actions on the current grant would be limited by the financial procedures agreement in place between the Trustee and grant agent, and the grant agreement between the government and the grant agent. The Committee also recognized that finance data is often not timely. This may make it difficult to take action within the relatively short grant periods. Finally, implementing financial sanctions on active ESPIGs would not necessarily help countries mobilize more and sustainable domestic financing for education and would not likely be an effective way to address capacity gaps and inefficient implementation of education services.

4.7 Given GPE's emphasis on support to children's education in fragile and conflict-affected states, the Committee was concerned that a number of GPE countries are unlikely to meet the domestic finance requirement due to justifiable circumstances. The Committee strongly recommends flexibility around the requirement for fragile countries on a case-by-case basis.

5. RECOMMENDATION AND RATIONALE

5.1 In developing the proposal for a monitoring framework and policy on appropriate actions when finance commitments are not met, the Committee was guided by the following:

- **Partnership principles of mutual accountability and transparency.** There is a need to hold governments to account for non-delivery of commitments, although fragile contexts in particular require adaptation of expectations.

It is also deemed important to be transparent and bring non-delivery on commitments from all categories of partners to the Board's attention. While this proposal focuses on finance commitments by developing country partners, as a Partnership, the Committee urges all constituency categories to prioritize their commitments to GPE.

- **More and better financing for education.** Any actions should be helpful to countries and strengthen GPE's support to and leveraging of domestic resource mobilization, which is an important objective in both GPE 2020 and the Education Commission Report. This objective further emphasizes the importance of efficient use of resources, which the Partnership should support through capacity and systems-building.
- **Attention to transaction costs.** In the context of increasing efficiencies and avoiding additional transaction costs, the Committee recommends using existing mechanisms for data collection, monitoring, reporting, and assessing the fulfillment of commitments.

5.2 Based on these considerations, the Committee recommends the following improvements to the Funding Model provisions on monitoring and verification of commitments and consequences for non-delivery (Section 4.2 of BOD/2014/05 DOC 03):

Step 1: Data. The Committee recognized the close link between clarity on how the domestic resource *requirement* is assessed in the application phase, the availability of timely and accurate financial data across DPCs, and the Partnership's ability to monitor and assess delivery on DCP financing *commitments*.

For assessing the domestic finance requirement⁶ during the ESPIG application phase, the Committee at its October 23-25, 2017 meeting considered four formulas and selected to apply the formula equivalent to Indicator 10 of the GPE Results Framework when assessing the requirement.

To the extent possible and for efficiency gains, Indicator 10 data collected annually and processed by UIS will therefore be used as a first indication of progress against commitments. It is expected that this will involve some back-and-forth dialogue with country level partners to ensure completeness and accuracy of data, and there are some risks around transaction costs both at country and Secretariat level.

The GPC noted that additional calculations around recurrent expenditures and taking into account debt burdens, as proposed in the other formulas considered by the Committee, would help provide a more nuanced perspective to adapt expectations to context. The Committee therefore agreed to consider these additional calculations when assessing the requirement in addition to the formula selected.

Step 2: Monitoring Mechanism. The Committee recommends to monitor commitments through existing mechanisms: on a country-by-country basis through the annually updated Operational Risk Framework and with an overview reported in the Portfolio Review using a traffic-light approach. The Secretariat will engage with the government and LEG in cases where countries are behind on delivering on commitments (yellow and red-light countries) and where appropriate, support LEG dialogue and engage with governments and partners to address underlying capacity and efficiency gaps as well as other challenges that hinder domestic resource mobilization.

⁶ Per BOD/2017/03 DOC 03 Annex 2

Step 3: Assessment of delivery on domestic resource commitments and need for justification if commitment is not met. In all cases, the Secretariat-led quality assurance process for ESPIG applications assesses a country's likelihood of meeting the funding model requirements upstream, starting in the early stages of the application process. The Secretariat presents its final assessment to the GPC through the Quality Assurance Review Phase III (Final Readiness Review). The Committee recommends using this process when countries apply for their next grant and to report on a country's delivery of previous financing commitments when grants are considered for recommendation to the Board.

The quality assurance process includes country-level dialogue around funding model requirements within the LEG at the start of the process. On the basis of LEG discussions, a Requirements Matrix is prepared at country level to demonstrate how the country is positioned to meet the Funding Model requirements. The Requirements Matrix is assessed by the Secretariat, then discussed with the GPC. Any feedback from the GPC on recommended actions to strengthen the application is provided to the LEG as appropriate. Once the application is submitted, the Secretariat provides a final assessment, report and recommendation on the fulfilment of the requirements to the GPC as part of the Final Readiness Review. The GPC then considers the application for recommendation to the Board.

The Committee recommends to enhance this process when countries apply for their next grant, to include specific attention to (1) budget expenditure relative to commitments made in fulfilment of the funding model requirement for the previous ESPIG for countries flagged as yellow or red in the Operational Risk Framework; (2) analysis of causes in the event commitments were not met. Where there are justifiable circumstances, the government with support from LEG members will be responsible for providing sufficiently strong justification for not delivering on commitments linked to the previous grant.

Step 4: Consequences. Where the justification by the government reveals circumstances related to capacity gaps or inefficiencies, the GPC may recommend to the Board that the budget of the new grant specifically address gaps that hinder sufficient and efficient resource use. The Committee considered this would be helpful to both countries and GPE in achieving increased domestic financing for education. The Committee noted that a similar GPE mechanism exists where countries applying for an ESPIG that require a data plan—and for which financing to implement that plan within the agreed timeline is not

identified by the time of the application—the ESPIG grant must finance the unfinanced portion of the data plan.

In extreme cases where delivery on commitments has not been met and where there are no convincing justifiable circumstances, the GPC may recommend that the Board not approve a grant or to reduce the grant amount. The potential for doing so will be signaled early in the process, during QAR Phase I, and will consider the primary objective of leveraging increased financing for education to provide all children with the opportunity to go to school and learn. Emphasis will therefore be on incentivizing increased domestic financing through the grant application process and supporting actions to address gaps.

6. IMPLICATIONS FOR SECRETARIAT RESOURCES AND RISK ANALYSIS

6.1 The recommendation to integrate the proposed process for monitoring and assessing the fulfilment of domestic finance commitments in existing mechanisms and processes will have implications on staff time, as it will add further elements to the monitoring and quality assurance process. However, additional work will be minimized by integrating actions into existing processes and tools rather than creating new ones.

6.2 It is not expected that the Secretariat will require additional resources to undertake the work in the current fiscal year. For the next fiscal year, any additional resources will be requested as part of the overall human resources plan.

7. NEXT STEPS

7.1 Should the Board approve the recommendation, the Secretariat will revise the Funding Model accordingly for the Committee’s review and Board decision in June 2018.

8. PLEASE CONTACT Margarita Focas Licht (mlicht@globalpartnership.org) for further information.

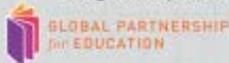
9. ANNEXES

Annex 1 - Elements of *Operational Framework on Requirements and Incentives in GPE Funding Model: Monitoring and Verification Domestic Resource Commitments*

ANNEX 1 – ELEMENTS OF OPERATIONAL FRAMEWORK ON REQUIREMENTS AND INCENTIVES IN GPE FUNDING MODEL: MONITORING AND VERIFICATION DOMESTIC RESOURCE COMMITMENTS

2014 Funding Model: **Monitoring of Domestic Resource Commitments** (funding model text)

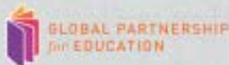
- Progress on domestic resource commitments is **monitored** throughout ESP/TEP implementation **by the LEG through JSRs or equivalent**
- The LEG should discuss the **causes of major deviations from endorsed plans and commitments**—including **significant gaps between financing commitments and execution that threaten implementation of the ESP or TEP, or shifts in policy priorities that make the endorsed plan irrelevant or considerably weaken its implementation**
- The LEG should **examine causes for these deviations** to determine **whether they undermine the mutual accountability** on which the GPE support was agreed.
- **LEG-recommended remedial actions** should be integrated in JSR reports/aide memoires



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2014 Funding Model: **Consequences of Major Deviations from DRM Commitments**

- GPC may recommend whether to (1) **reduce funding of the current grant until remedial measures have been taken**; or (2) **freeze further disbursements on the current grant until remedial measures are taken**
- To inform the GPC recommendation, the Grant Agent in consultation with the LEG highlights potential consequences and risks related to the above scenarios.
- In addition, significant deviations are discussed during the next grant application and will form part of the Secretariat's assessment of the previous grant through the Final Readiness Review. The GPC recommends **whether (1) no remedial measures are required; (2) to reduce the allocation; (3) to request remedial measures and a re-submission of the application; or (4) to not approve a new grant.**



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