NOVEMBER 30, DECEMBER 1 AND 3, 2020

MEETING OF THE BOARD OF DIRECTORS

VIA VIDEOCONFERENCE | BOD/2020/11/12 DOC 06 | FOR DECISION

ELIGIBILITY AND ALLOCATION FOR GPE 2025

Please note: Board documents are deliberative in nature and, in accordance with the GPE Transparency Policy, are considered to be public documents only after their appraisal by the Board. It is understood that Board members will circulate Board documents among their constituency members prior to Board consideration for consultation purposes.

Input from the Finance and Risk Committee following its November 3-4, 2020 meeting:

1. E1ligibility and Allocation

- Members were overall positive to the changes proposed
- Some concerns were expressed on the impact of increases in overall allocations to Small Islands/Landlocked Developing States given it was a deviation from the needs-based formula - the Secretariat noted that while allocations may increase the overall levels would not make a significant impact.
- Some concerns on allocation formula variables used like Harmonized Learning Score and inclusion of upper secondary population but also a general understanding of the necessity to use broadly comparable data
- A member requested that the document specifically reference the special circumstances in Syria with respect to any future allocation in the Board document
- A member also noted the importance of providing clarity to countries on when they could apply for new grants and the Secretariat flagged this would be provided in due course.

Some concerns were raised linked to the broader operating model on uncertainty and impact on overall GPE financing due to use of so much incentives. The Secretariat acknowledged the uncertainty but flagged that we can build in some assumptions upfront that not all countries would receive the full allocation.

- A concern was raised as to whether LICs would be at risk of decreased funding and the Secretariat clarified that based on the scenarios presented 66%-68% of funds would go to LICs which was broadly in line with current approaches, consistent with the Board decision that a majority of funds should go to LICs, and points raised by a Board member in September regarding the desirability to keep such funding at least at 65%.

Objective

1. This document sets out the proposed eligibility and allocation parameters to funding of GPE 2025.

Recommended decision

2. **BOD/2020/11/12-XX—<u>Eligibility and Allocation of Funds for GPE 2025:</u>** The Board of Directors:

   1. Approves eligibility for GPE Funding for the 2021-2025 Financing period as set out in Table 1 of BOD/2020/11/12 DOC 06 noting that while additional countries may become eligible based on updated data as of 1 July 2021, no countries will be removed from eligibility as a result of this data.

   2. Approves the following needs-based allocation formula

$$Needs\ Index = \frac{\mathrm{PrimAgePop} \times \left(1 - \mathrm{PCR} \times \frac{\mathrm{HLS}}{625}\right) + \mathrm{SecAgePop} \times (1 - \mathrm{LSCR})}{\sqrt{\mathrm{GDPperCapita(PPP)}}} + 15\%\ FCAC\ adjustment$$

   As further described in Annex 1 of BOD/2020/11/12 DOC 06 for calculating the share of available resources that countries eligible to receive a Systems Transformation Grant may apply for, subject to the following adjustments:

      a. The maximum allocation for any one country shall not exceed 5% of the overall available resources used to calculate each indicative allocation.

      b. For any eligible country where the allocation formula produces an indicative allocation below the allocation floors for country categories set out in Table 2 of BOD/2020/11/12 DOC 06 Annex 1, they shall be eligible to apply for the corresponding floor.

      c. For any country that would see a reduction in their allocation compared to their original allocation as calculated in 2017 for the 2018-2020 period, that reduction shall be limited to 25% of the previous maximum country allocation.

3. Approves the allocation criteria and ceilings for the Multiplier as set out in BOD/2020/11/12 DOC 06 Annex 2 including the reduced co-financing threshold of US$1 to US$1 applying to additional grant funding from the business community and private foundations.

4. Approves eligibility for the System Capacity Grants as set out in BOD/2020/11/12 DOC 06 Annex 3, with maximum allocations ranging between US$1 million to US$5 million for country categories. Delegates authority to the Secretariat to approve such grants. Delegates authority to the FRC to approve the limited criteria in which allocations above the ceilings may be acceptable.

5. Recognizing that the outcome of the 2021 Financing Conference will be the key determinant in forecasting available funds for allocation, the Board's intention to make up to 20% of grant funds available for the Multiplier and related approaches, and considering that funds need to be reserved for future decisions on allocations the Board may make to support the enabling objective of GPE 2025, requests the Secretariat to develop prioritization criteria for FRC review and recommendation to the Board in the event that available resources for Systems Transformation Grants are forecasted to be less than US$2 billion.

Background and overview

Eligibility

1. The Board has previously decided (BOD/2019/12-12):

"that GPE's geographic footprint should be broadly consistent with that approved in 2017, namely Low Income, Lower Middle Income, and IDA eligible small island and landlocked developing states noting these countries account for the overwhelming majority of the World's out-of-school children, and those not learning;"

2. GPE has a number of different funding mechanisms that serve distinct but complementary purposes. In the past, all countries eligible for funding could access funds for education sector analysis and plan development, however different criteria were used to determine eligibility for funds for education sector program implementation grants and the multiplier.

3. Eligibility however for System Transformation Grants that account for the majority of GPE grant funds has the most significant implications and this is where decisions to either narrow eligibility or expand it would be relevant. Based on consultations to date, the Secretariat has not identified any strong push in either direction and therefore **proposes a balanced approach that is broadly consistent with eligibility for the 2018-2020 period.** Eligibility would therefore be for:

a. Low Income Countries (LIC) with a median GNI per capita below $1,035.[1]
b. Vulnerable Lower Middle Income Countries (LMIC) with no more than $2,290 GNI p/c and below 90% Lower Secondary Completion Rates (LSCR) OR Fragile and Conflict Affected Countries (FCAC) with no more than $3,435 GNI p/c and below 90% LSCR).[2]
c. IDA Eligible Small Island and Landlocked Developing States.[3]

4. In recognition of the likely negative impact of COVID on economic classification over the coming years and to avoid penalizing countries that fluctuate between categories often related to issues such as oil prices and exchange rates, eligibility will use the median GNI data for 2018-2020. Should a country be eligible based on the latest economic classification data for 2020 or 2021 when available, it will be included as eligible but no country will lose eligibility based on new 2021 data. Using this criteria, one country (Lao PDR) that was eligible for an ESPIG in the 2018-2020 period will no longer be eligible due to growth in GNI per capita. However, given it has lower secondary completion rates of just 67%, the Secretariat proposes that Lao PDR be exceptionally included. Given that Fiji, Tajikistan, and Republic of Congo would also be newly eligible, if Lao PDR is granted an exception, the total number of eligible countries would rise from 67 to 70.

5. The Board has already determined that the Multiplier will be available for all eligible LICs, LMICs, and IDA eligible Small Island and Landlocked Developing States. At present, three countries would graduate from eligibility, Armenia, Guatemala, and Indonesia as they are now Upper Middle Income Countries (UMIC). However, using the same approach of taking median GNI data for the 2018-2020 period rather than current economic classification, Indonesia would remain eligible for the Multiplier and System Capacity Grant considering it is currently just US$5 above the cut off for LMIC status of US$4,045.

6. With respect to System Capacity Grants which now replace education sector plan development grants (ESPDG), the logical approach would be to continue the current practice for ESPDGs to make them available to all eligible LICs, LMICs, and IDA eligible Small Island and Landlocked Developing States. Due to the relatively low levels of funding

[1] $1035 is the updated cut-off for low-income countries used by the World Bank to classify countries.

[2] The thresholds were introduced in 2017. To have the 2020 updated thresholds, it is suggested to increase the $2000 and $3000 figures by 4.6 % annually, which gives $2290 and $3435 in 2020.

[3] Landlocked Developing States are those with a population of less than 1 million

provided, this is not expected to have a significant impact on overall resources.

7. Eligibility and allocation issues related to the enabling objective and proposed thematic funding window focused on girls' education are outlined in the respective document (BOD/2020/11/12 DOC 07).

Allocation

8. With respect to allocation issues for System Transformation Grants, the Board has already agreed to maintain a needs-based allocation formula and to continue to ensure that the majority of grant funds go to low income countries. The allocation formula proposed in Annex 1 does that and amends the formula in two important ways. Firstly, it uses both primary and secondary school aged populations as opposed to just primary and lower secondary reflecting the intentions of GPE 2025 to move towards supporting 12 years of education. Secondly, it integrates information on learning outcomes into the formula which was a desire expressed during the 2016/2017 work by the Strategic Financing Working Group but one that could not be realized at the time due to lack of comparable data. The overall formula ensures that **at least two-thirds of available funds are indicatively allocated to Low Income Countries** which is broadly consistent with current practice.

9. The approach to allocation also proposes to limit any reductions in allocation levels which naturally occur primarily due to positive movement in GDP and/or improvements in completion rates to a maximum of 25% from the prior period. E.g. a country that had a US$60 million allocation for the current period would not receive an allocation below US$45 million even if the formula produced a lower amount.

10. In addition, and in line with current practice to have a cap on the allocation size, the Secretariat proposes to make this 5% of available resources for any country. For example, if the envelope was US$2 billion this would mean a maximum of US$100 million and if resources were US$3 billion or US$4 billion it would rise to US$150 million and US$200 million respectively.

11. The Secretariat does propose a change in the approach to allocation floors. For Small Island and Landlocked Developing States, the Secretariat proposes to have two categories with an allocation of US$2.5 million for countries with a population below 500k and then US$5m for those above. The Secretariat also proposes population-based floors for other eligible countries that would rise in increments from US$5 million to US$25 million. This is a change in the current approach where irrespective of whether a country had a low or high population, the floor was the same.

12. With respect to the Multiplier, population-based floors have been adjusted and the maximum allocation size increased reflecting the level of resources available and the opportunity to mobilize larger amounts of funds. It is important to recognize that these allocation levels are ceilings that can only be reached by demonstrating the required amount of additional co-financing. In accordance with the general direction as outlined in the Innovative Finance document Annex on the Matching Fund (BOD/2020/11/12 DOC 08 Annex 2), the Secretariat proposes that additional co-financing thresholds to unlock the multiplier be reduced to US$1 for US$1 to incentivize grant funding from the business community and private foundations.

13. For the System Capacity Grants (see BOD/2020/11/12 DOC 05 Annex 2) which replace the former Education Sector Plan Development Grants, the Secretariat proposes to establish maximum allocation levels of between US$1 million and US$5 million for a 5 year period, with allocation levels using a formula based on a combination of school aged population (70% weighting) and capacity considerations using the Country Policy and Institutional Assessment (CPIA) score (30% weighting) as a proxy for capacity. The Secretariat will further explore the criteria that would be used to assess situations where an allocation above the ceiling may be warranted and will present to the FRC for review and approval under delegated authority from the Board.

14. The tables below provide an overview of GPE eligibility for the 2021-2025 financing period based on the most up to date information available and for information provides an initial projection of funding allocations for the 2021-2025 period.

15. There are several countries that have grants that are expiring and will require new funds. To satisfy these needs, and commence implementation of the operating model in a manner that facilitates early lessons learned that can inform a broader roll-out, the Secretariat proposes to develop a proposal for Board consideration to approve indicative allocations for up to 5 countries eligible for the Systems Transformation Grant in December. The proposed decision and rationale are set out in the Operating Model Board document.

16. Feedback on the approach from the DCP consultation on 8th October concluded that

"Broad parameters of eligibility and allocation seem right, as do the increases proposed for floors, allocations for smaller countries and the use of the Multiplier. In reality, the proposals provide greater simplification, not complexity. The impact of COVID 19 cannot be understated on national economies."

<table>
<tr><th>Table 1 - Economic Classification as of 1 July 2020[4]</th><th>System Capacity Grant</th><th>System Transformation Grant</th><th>Multiplier[5]</th><th>Girls Thematic Funding</th><th>Strategic Capabilities (KIX /EOL/Partnership)</th></tr>
<tr><td>Low Income Countries below US$1,035 GNI p/c[6] (30) Afghanistan, Burkina Faso, Burundi, Central African Republic, Chad, DRC, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Somalia, South Sudan, Sudan, Tajikistan, Togo, Uganda, Yemen, Syria[7], Nepal, Tanzania</td><td rowspan="4">YES</td><td rowspan="3">YES</td><td rowspan="4">YES</td><td rowspan="4">Countries shaded in Red</td><td rowspan="4">YES[8]</td></tr>
<tr><td>Small Island and Landlocked Developing States[9] (19) Bhutan, Cabo Verde, Dominica, Grenada, Guyana, Kiribati, Maldives, Marshall Islands, Micronesia, Samoa, Sao Tome and Principe, Solomon Islands, St. Lucia, St. Vincent and the Grenadines, Timor-Leste, Tonga, Tuvalu, Vanuatu, Fiji</td></tr>
<tr><td>Vulnerable LMICS (21) – No more than $2,290 GNI p/c and below 90% LSCR OR FCACs with no more than $3,435 GNI p/c and below 90% LSCR Bangladesh, Benin, Cambodia, Cameroon, Comoros, Congo Rep, Côte d'Ivoire, Djibouti, Ghana, Kenya, Lao PDR[10], Lesotho, Mauritania, Myanmar, Nicaragua, Nigeria, Pakistan, PNG, Senegal, Zambia, Zimbabwe</td></tr>
<tr><td>Other Lower Middle-Income Countries / Territories below $4,045 GNI p/c (20) Moldova, Honduras, Eswatini, Algeria, Kyrgyz Republic, Vietnam, Uzbekistan, Ukraine, Bolivia, Sri Lanka, Mongolia, Angola, Morocco, Egypt, Arab Rep., West Bank and Gaza[11], Indonesia[12], Philippines, El Salvador, Tunisia, India[13]</td><td>NO</td></tr>
</table>

[4] Countries that meet these criteria using Median GNI per capita using data published by the World Bank as of 1 July 2018, 2019, and 2020 used are deemed eligible, as are countries who meet the criteria based 1 July 2020 data alone. The list may be increased for countries who would meet the criteria using 1 July 2021 data alone or Median GNI for the 2019, 2020, 2021 period. No countries will be removed from the list for the 2021-2025 period based on future changes in data.
[5] Systems Transformation Grant / Multiplier countries can access a standard program development grant of US$200k and up to US$400k for program development
[6] DPR Korea is a LIC but is not included as it is not eligible to receive funding from the GPE Fund. Nepal and Tanzania are officially LMICs as of 1 July 2020 but median GNI p/c over 3 year period would put them below the LIC cut off point.
[7] The Board may decide at its discretion to modify operating model requirements and include safeguards for allocations to Syria and similar situations that may arise
[8] Current EOL eligibility is currently restricted to countries that are or in the process of becoming a member of GPE.
[9] Must be IDA (including BLEND) eligible. For landlocked developing states – restricted to countries with a population below 1 million
[10] Eligible on exceptional grounds due to its status as an ESPIG eligible country for the 2018-2020 period and its high needs as demonstrated by 67% LSCR
[11] Subject to specific arrangements per Board decision BOD/2020/06-12
[12] Indonesia is officially an UMIC as of 1 July 2020, however using 3-year median GNI p/c would be included as an LMIC
[13] Excluded from System Transformation Grant eligibility due to overall size of economy exceeding one trillion US dollars

Table 2 Provisional estimate of resource allocation 2021-2025 based on a US$5 billion envelope[14]	
System Capacity Grants	US$250m (based on 90 countries averaging $2.5m-$3m) – 5%
System Transformation Grants	US$3,000m – (Resource envelope used for calculating indicative allocations can be higher (e.g. US$3,300 – US$3,500m) than actual grant funds to factor in that not all countries will unlock the incentives or reach all variable part targets) – 60%
Multiplier	US$900m – (assumes $4.6 billion in grants after OPEX and Agency Fees X 20%) – 18%
Girls' Education Window	US$250m (maximum target range) – 5%
KIX / EOL / Strategic Capabilities	US$200m (placeholder based on similar funding levels annualized plus funds for strategic capabilities) – 4%
Operating Expenses/Trustee	US$250m - 5%
Agency Fees	US$150m - 3%

[14] Working assumption is that unfinanced obligations from 2018-2020 period will be at least equal to any carryover in similar obligations from 2021-2025 brought into 2026-2030 period.

Annex 1 - System Transformation Grant: Eligibility and Allocation

1. Background

The current approach to eligibility and allocation

GPE2020 called for the partnership to continue focusing primarily on delivering financing to low and lower-middle-income countries, especially those countries with high numbers of out-of-school children and significant gender disparities, as well as those countries affected by crisis and fragility.

To ensure that GPE's financing is prioritizing the countries that are facing the highest levels of needs, new ESPIG eligibility criteria and needs-based allocation formula were approved by the Board in 2017. Maximum Country Allocations (MCAs) for ESPIGs were approved by the Board in 2018.[15] Three sets of countries are currently eligible to receive GPE's ESPIGs: Low-income-countries (LICs), vulnerable lower middle-income-countries (LMICs with less than $2,000 GNI p/c and below 90% LSCR OR FCACs with Less than $3,000 GNI p/c and below 90% LSCR) and IDA eligible Small Island and Landlocked Developing States (SILDS[16]). A total of 67 countries are eligible for ESPIGs and the needs-based formula is applied to determine the grant allocation for each eligible country. The needs-based formula is as follows:

$$Needs\ Index = \frac{\mathrm{PrimAgePop} \times (1 - \mathrm{PCR}) + \mathrm{LSecAgePop} \times (1 - \mathrm{LSCR})}{\sqrt{\mathrm{GDPperCapita(PPP)}}} + 15\%\ FCAC\ adjustment$$

With

PimAgePop and LSecAgePop the total population of primary and lower secondary school age respectively, PCR the primary completion rate, LSCR the lower secondary completion rate and GDPperCapita, the GDP per capita expressed in purchasing power parity (current). A minimum allocation (or floor) was set at US$ 1.3 million for SILDS and US$ 5 million for the other eligible countries. This was later increased to US$2.5 million and US$7.5 million respectively as more resources became available for allocation. A maximum allocation was initially set at US$100 million and later increased to US$125 million. The main idea of the needs

[15] Education Sector Plan Implementation Grant (ESPIG) is GPE's main tool to deliver resources to the countries the most need. Since 2016, nearly 95% of GPE's disbursements to countries were channeled through the ESPIG financing mechanism.

[16] Landlocked Developing States with a population of less than 1 million

index is to allocate more resources to countries with a higher number of non-completers of primary and lower-secondary school-age, countries with lower income per capita, and those in fragile and/or conflict situation.

Pros and cons of the current eligibility and allocation approach

One of the main advantages of the current approach is the simplicity of the allocation formula. Compared to the previous formula, the needs-based index is very intuitive and easy to communicate. It also allows funds to be allocated to the countries with the highest needs as recommended by the GPE's Charter. For instance, more than two thirds of the ESPIG funds are allocated to low-income countries. The independent evaluation of GPE 2020 shows that the current approach to eligibility and allocation allows GPE's funds to prioritize the support of basic education in LICs and LMICs in line with GPE's mission.[17]

Lessons learned from the implementation of the GPE2020 strategy point to a major challenge in that this approach unintentionally drives funding away from countries that have achieved important gains in enrolment (greater access) but continue to struggle with learning. As a result, some countries experienced a large decline in their allocations between the 2014 and the 2018 replenishments and this contributed to weakening GPE's engagement with these countries, while the low levels of some allocations in a context of a more demanding operating model were insufficient for an effective engagement at the country-level. For instance, Kenya is among the GPE's countries with the largest school-age population, yet Kenya's allocation was only 11 million in 2018 down from 77 million in 2014. Some of the Developing Country Partners that have experienced similar impacts have consistently raised concerns that they should not be penalized for doing the right things and making progress, in a context where needs are still extremely high.

GPE's Board made two major decisions regarding eligibility and allocation in its September 2020 meeting.[18] The Board decided that: (i) "the majority of GPE grant funds must be allocated to low-income countries"; (ii) "the allocation of resources for GPE's core implementation grants shall continue to be based on a needs-based formula that is equitable and provides some predictability to eligible countries on their potential allocation size." In line with the Board's recommendations and given the lessons learned from the

[17] https://www.globalpartnership.org/content/independent-summative-evaluation-gpe-2020

[18] BOD/2020/09-02 https://www.globalpartnership.org/sites/default/files/document/file/2020-09-GPE-Board-decisions.pdf

implementation of the current eligibility criteria and allocation formula, a few changes are suggested.

2. Changes to the eligibility criteria

The current ESPIG eligibility criteria allow funding to be concentrated in a relatively small number of countries (67 countries). These countries were identified in 2017, using the most recent GNI per capita data that were then available (2015 data). GNI data experienced fluctuations following the economic trends in each country. This could lead to some important variations in the sample of eligible countries from one strategy cycle to another, which could impact on GPE's engagement with its members. The following changes are suggested to address this eventual issue:

a) **Using the median GNI per capita over the last three years instead of the most recent data point.** The GNI per capita can strongly vary from one year to another following the economic situation and the trends of the population. Using the median GNI per capita instead of the most recent data point would provide a more robust way to determine eligibility. This would also help ensure that countries with GNI per capital values close to the thresholds do not move in and out of the sample of eligible countries when updated data are used. For instance, Indonesia's GNI per capita increased from US$3,840 in 2019 to US$4,050 in 2020 which means that it is now classified as an upper-middle income country having exceeded the lower middle income cut off of US$4,045 by just US$5 or 0.1%.

b) **Updating the eligibility thresholds following economic growth in partner countries.** The GNI per capita thresholds used to determine eligibility was approved in 2017. Since then, some countries have experienced strong economic growth and could be penalized if the same thresholds are applied. The World Bank data show that the GNI per capita increased by 4.6% on average annually between 2016 and 2019 in low- and middle-income countries. It is thus suggested to adjust the eligibility thresholds following the GNI per capita growth over the last three years. The suggested eligibility criteria for the System Transformation Grant (previously called ESPIGs) are:

- LICs with a median GNI per capita below $1035.[19]

[19] $1035 is the updated cut-off for low-income countries used by the World Bank to classify countries.

- Vulnerable LMICs (countries with less than $2,290 GNI p/c and below 90% LSCR OR FCACs with Less than $3,435 GNI p/c and below 90% LSCR).[20]
- IDA Eligible Small Island and Landlocked Developing States.[21]

Applying these changes using the 2019 GNI data collected from the World Bank and the most recent LSCR data from UIS (2018) gives a new list of eligible countries for the System Transformation Grant (formerly referred to as ESPIGs), as presented in Table 1.

Table 1: List of eligible countries

Eligibility for ESPIGs-2017	Eligibility for STGs (formerly referred to as ESPIGs)-2020
LICs (30) Afghanistan, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Comoros, DRC, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, Senegal, Sierra Leone, Somalia, South Sudan, Tanzania, Togo, Uganda, Zimbabwe	**LICs (30)** Afghanistan, Burkina Faso, Burundi, Central African Republic, Chad, DRC., Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, Sierra Leone, Somalia, South Sudan, Sudan, Tajikistan, Tanzania, Togo, Uganda Yemen, Syria[22]
Vulnerable LMICS (19) – Less than $2,000 GNI p/c and below 90% LSCR OR FCACs with Less than $3,000 GNI p/c: Cambodia, Djibouti, Cameroon, Lesotho, Yemen, Côte d'Ivoire, Myanmar, Mauritania, Pakistan, Zambia, Lao PDR, Sudan, Nigeria, PNG, Syria, Ghana, Kenya, Bangladesh, and Nicaragua	**Vulnerable LMICS (21) – Less than $2,290 GNI p/c and below 90% LSCR OR FCACs with Less than $3,435 GNI p/c:** Benin, Comoros, Senegal, Zimbabwe, Cambodia, Djibouti, Cameroon, Lesotho, Côte d'Ivoire, Myanmar, Mauritania, Pakistan, Zambia, Nigeria, PNG, Ghana, Kenya,

[20] The thresholds were introduced in 2017. To have the 2020 updated thresholds, it is suggested to increase the $2000 and $3000 figures by 4.6 % annually, which gives $2290 and $3435 in 2020.

[21] Landlocked Developing States are those with a population of less than 1 million

[22] Recent GNI data are not available for Syria and South Sudan. Because of the lack of data, the 2020 World Bank's classification is used for these countries.

Eligibility for ESPIGs-2017	Eligibility for STGs (formerly referred to as ESPIGs)-2020
	Bangladesh, Nicaragua, Congo Rep., Lao PDR
SILDS (18) Bhutan, Cabo Verde, Dominica, Grenada, Guyana, Kiribati, Maldives, Marshall Islands, Micronesia, Samoa, Sao Tome and Principe, Solomon Islands, St. Lucia, St. Vincent and the Grenadines, Timor-Leste, Tonga, Tuvalu, Vanuatu	**SILDS (19)** Bhutan, Cabo Verde, Dominica, Grenada, Guyana, Kiribati, Maldives, Marshall Islands, Micronesia, Samoa, Sao Tome and Principe, Solomon Islands, St. Lucia, St. Vincent and the Grenadines, Timor-Leste, Tonga, Tuvalu, Vanuatu, Fiji
Countries that left the group New countries to the group Countries included in this group based on 3-year median GNI per capita Countries not meeting the eligibility criteria, but we suggest considering them as eligible countries	

Between 2017 and 2020, countries moved across income categories. A total of 4 countries graduated from LIC to LMIC (Benin, Comoros, Senegal, and Zimbabwe)[23] while 4 new countries entered the LIC group, three from the vulnerable LMIC group (Sudan, Syria, Yemen) and one country from the "other LMIC" category (Tajikistan). The total number of eligible LICs remains at 30 countries.

4 countries (Yemen, Lao PDR, Sudan, and Syria) left the vulnerable LMIC group and 5 moved into this category (Benin, Comoros, Senegal, Zimbabwe, and Congo, Rep[24]). The total number of vulnerable LMICs increased from 19 to 20 countries. One LMIC loses eligibility to the STG (Lao PDR). The GNI per capita in Lao PDR was $1,970 in 2015 (2015 data were used in 2017 to determine the list of eligible countries) and grew to $2570 in 2019. In other terms, the GNI per capita grew by 6.6% on average over the last three years (compared to 4.6% in low- and

[23] Nepal and Tanzania moved to LMIC as of 1 July 2020 but have been kept in the LIC category for GPE eligibility purposes based on their 3-year median GNI per capita being below the LIC cut off point of US$1,035

[24] Congo Republic was granted an exception by the Board for the 2018-2020 period that allowed them to access an unutilized allocation from the previous replenishment period in light of changes in their circumstances that would have made them eligible.

middle-income countries on average) and exceeded the suggested GPE's threshold of $2,290.[25] One additional country entered the IDA eligible Small Island and Landlocked Developing States group (Fiji) as it is now eligible for IDA funding.

In total, compared to 2017, there are three new eligible countries (Congo, Rep., Tajikistan, and Fiji) while one country became non-eligible (Lao PDR).[26] As a result, the total number of eligible countries increased from 67 countries in 2017 to 69 countries in 2020. Given Lao's low LSCR (67 %) and the risk of penalizing this country because of its great economic performance, one option that could be considered is to exceptionally keep Lao PDR among the eligible countries. The number of vulnerable LMICs would then be 21 and a total of 70 countries would be eligible for the STG. All the 67 countries that were ESPIG-eligible in 2017 remain eligible and 3 new countries become eligible to the STG.

3. Changes to the allocation formula

As already mentioned, the current needs-based formula has many advantages. However, given the lessons learned from its implementation, it seems important to provide a few changes to ensure that countries that are the most in need are still prioritized without sanctioning those that have made progress on access but still struggle on learning.

The updated formula is based on the following principles: (i) countries with a higher population of non-completers of primary and secondary education age are prioritized; (ii) countries facing poverty as reflected by a lower income per capita are given priority[27]; (iii) fragile and conflict-affected countries benefit from relatively more resources; (iv) countries facing issues with learning are given priority in the allocation of resources.

Four main changes to the current allocation formula are proposed.

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[25] The median GNI per capita in Lao PDR over the last three years is $2,450.

[26] The reasons behind the eligibility of these three countries are Tajikistan and Congo experienced a decline in their GNI per capita. Tajikistan moved to the LICs category and became eligible. Congo's GNI per capita now falls within the suggested thresholds for eligibility. Fiji newly became part of the Small Island and Landlocked Developing States group due to eligibility for IDA (Blend).

[27] The income per capita is not a perfect measure of poverty. A country with high income per capita but facing huge income inequalities can have a large share of its population below the poverty line. Better poverty indicators exist (the poverty headcount ratio for instance). However, data are not available for all GPE countries and some of the existing data are very old. The GDP per capita thus remains one of the best proxies for poverty that is not facing important data availability issues.

a) **Expanding the school-age population to upper-secondary.** The current formula takes into consideration the primary and lower secondary school-age population. GPE 2025 aims to support basic and secondary education. To be consistent with GPE's ambition to be engaged at the upper-secondary level, it is suggested to include the upper-secondary school-age population in the formula. Ideally, the upper-secondary completion rate should have been used to estimate the number of non-completers of upper-secondary age. Unfortunately, completion rates data at the upper secondary level are very limited and cannot be used in the allocation formula. It is then suggested to use the lower-secondary completion rate.

b) **Adjusting the floors (minimum allocation) and the caps (maximum allocation**). The current formula applies similar floors (US$1.3 million for SILDS and US$5 million for all other countries) and caps (US$100 million) for almost all eligible countries. To address the challenges related to very low allocations, the Board recently approved an increase in the floors to US$2.5 million for the SILDS and US$7.5 million for all other eligible countries. However, this does not guarantee that countries with big school-age populations sizes would not receive very low allocations, which can undermine GPE's effective engagement in these countries.

   To address this potential issue related to low allocations, it is suggested to introduce a differentiated approach to the floors. The proposal is to group the eligible LICs and LMICs into five categories using quintiles of the primary and secondary school-age population. The floors would then vary by US$5 million from a minimum of US$5 million to a maximum of US$25 million depending on the size of the school-age population. Because SILDS have very different population sizes, they may not be facing the same demand for education. It seems important to distinguish between those with a relatively large population size and SILDS with very small population size. A US$2.5 million floor is suggested for the SILDS with less than 500,000 inhabitants, recognizing that this is still close to double the initial minimum allocation of US$1.3 million. A minimum allocation of US$ 5 million is suggested for the SILDS with more than 500,000 inhabitants. Countries would be eligible for the higher of the floor or the amount determined by the allocation formula. The proposed floors are presented in Table 2.

Table 2: Suggested floors

Floors	Countries
SILDS	
US$ 2.5 million SILDS with a total population size of 500,000 and less	Kiribati, Micronesia Fed. Sts., Sao Tome and Principe, Vanuatu, Dominica, Grenada, Marshall Islands, Samoa, St. Lucia, St. Vincent and the Grenadines, Tuvalu, Tonga
US$ 5 million SILDS with a total population size of more than 500,000	Bhutan, Cabo Verde, Solomon Islands, Timor-Leste, Fiji, Guyana, Maldives
LICs and vulnerable LMICs	
$5 million Primary and Secondary school-age population below 1.6 million[28]	Comoros, Congo Rep., Djibouti, Eritrea, Gambia, Guinea-Bissau, Lesotho, Liberia, Mauritania, Nicaragua
$10 million Primary and Secondary school-age population between 1.6 million and 3.6 million	Burundi, Central African Republic, Haiti, Lao PDR, PNG, Rwanda, Sierra Leone, South Sudan, Tajikistan, Togo
$15 million Primary and Secondary school-age population between 3.6 million and 5.8 million	Benin, Cambodia, Chad, Guinea, Malawi, Senegal, Somalia, Syria, Zambia, Zimbabwe
$20 million Primary and Secondary school-age population between 5.8 million and 10.8 million	Burkina Faso, Cameroon, Cote d'Ivoire, Ghana, Madagascar, Mali, Mozambique, Nepal, Niger, Yemen, Rep.
$25 million Primary and Secondary school-age population above 10.8 million	Afghanistan, Bangladesh, DRC, Ethiopia, Kenya, Myanmar, Nigeria, Pakistan, Sudan, Tanzania, Uganda

Currently, the 2018-2020 base case scenario of US$2 billion is allocated across 67 ESPIG-eligible countries and the initial cap is US$100 million or 5% of the total allocation. Instead of a fixed cap as it is currently the case, it is proposed to set the cap at 5% of the total allocation.

[28] The cut-off points are the 20th, 40th, 60th, and 80th percentiles of the primary and secondary school-age population.

In other terms, assuming a US$ 3.25 billion total allocation, the cap would be US$ 162.5 million and would increase to $200 million with a $4 billion total allocation, etc.

c) **Including learning as one of the variables in the needs-based index.** Some of the GPE countries are performing relatively well in terms of access but still face some challenges related to learning. Allowing learning to be taken into consideration would allow GPE to allocate more resources to countries that are lagging in terms of learning. Using a learning indicator in the allocation formula can be particularly challenging because of the data availability issues. Several recent initiatives attempted to make comparable learning data available. The World Bank's Human Capital Project (HCP) offers one of the most reliable and comparable learning data that cover a large number of GPE countries.[29] The HCP's harmonized learning score (HLS) has been constructed by the World Bank using nationally representative large-scale learning assessments mostly at the primary education level. The HLS varies between 300 (the lowest level of learning) and 625 (the highest level of learning).[30]

The suggested needs-index is as follows:

$$Needs\ Index = \frac{\text{PrimAgePop} \times \left(1 - \text{PCR} \times \frac{\text{HLS}}{625}\right) + \text{SecAgePop} \times (1 - \text{LSCR})}{\sqrt{\text{GDPperCapita(PPP)}}} + 15\%\ FCAC\ adjustment$$

HLS is the value of the learning score achieved by a given country and HLS/625 approximates the distance to the maximum learning score possible. SecAgePop is the population of secondary school-age. [31] The new addition to the needs-index (in green) tries to adjust the

[29] HLS data are missing for a couple of the STG-eligible countries. To address this data availability issues, an imputation technique is suggested.

[30] See technical details about the HLS on the HCP's website: https://www.worldbank.org/en/publication/human-capital

[31] The HLS data are missing for 5 eligible countries (Djibouti, Eritrea, Guinea-Bissau, Somalia, and Syria). To address these data gaps, it is suggested to use the average HLS in the relevant region and income group. For instance, Djibouti is a Lower Middle Income in the Middle East & North Africa region. The HLS value for Djibouti would be the average HLS for the LMICs in the Middle East & North Africa region. Other more sophisticated imputation techniques exist but could probably be too complex and less intuitive.

PCR to take the learning gap into consideration. In other terms, $\left(1 - \mathrm{PCR} \times \frac{\mathrm{HLS}}{625}\right)$ captures the gap in terms of primary completion and learning at the primary level. The lower the HLS, the higher the needs-index value would be.

d) **Adjusting country allocations to prevent substantial decreases compared to the previous allocations.** A significant decrease in a country's allocation from one strategic cycle to another could negatively influence GPE's engagement with this country. Building on practices by other similar organizations such as the Global Fund, it is suggested to limit the maximum decline that a country could experience to 25%. For instance, if a country previously received a US$100 million allocation and the new formula produces an allocation of US$70 million, the country allocation would be adjusted to US$75 million (limiting the decline to 25%). This adjustment would not be necessary if the total allocation for the STG is significantly higher than the 2018 total ESPIG allocation.

There is a rationale for including other variables in the allocation formula to allow countries with specific issues to benefit from more resources. For instance, gender and refugees are two important topics for GPE and it makes perfect sense to allocate more resources to countries facing these issues. By taking into consideration the girls and boys who are not completing primary and secondary education, gender is already captured in the current formula. A country with a high population of boys or girls who are not completing primary or secondary education would receive more resources. Also, the population data are updated every year by UN-Population to account for refugee statistics produced by UNHCR. The allocation formula by default allocates relatively more resources to countries that are home to school-age refugees.

Given the new GPE's operating model and the flexible country allocation approach proposed, it seems important to highlight that the needs-based index would produce indicative allocations that may end up being different from the final grant amount during the GPE 2025 implementation period, depending on several factors.

4. Data

The data used for eligibility and allocation are often updated. These data are mainly coming from UIS and the World Bank. UIS data would be updated by November 2020 and data would be available up to 2019. The World Bank's Human Capital Project's data were updated in September 2020 and now include data up to 2019. The GNI per capita and the GDP per capita data are currently available up to 2019. The World Bank updated country classification by income group was published in June 2020 and the next update would happen in June 2021. The Secretariat proposes to use the June 2020 World Bank's classification as well as any data (for the year 2019) available by the end of 2020 to update the eligibility and the allocation model. Data included in the allocation formula would not change after December 2020. In the event that a country would become eligible based on changes to its economic classification as of 1 July 2021 it will be included as eligible, however, no countries will lose eligibility. Using the July 2021 data will allow for the economic impact of COVID in 2020 to be accounted for.

5. Simulations

To understand the impacts that these changes to the eligibility criteria and the allocation formula could have on countries' allocation, three simulations are proposed with three different assumptions related to the total amount of resources allocated to the STG: $2 billion, $3.25 billion and $4 billion. A summary of these simulations is presented in Table 3.

Table 3: Summary of simulations

	2018 Maximum allocations (previously MCA) (67 countries) $2 billion		Simulation 1 Allocation (70 countries) $2 billion		Simulation 2 Allocation (70 countries) $3.25 billion		Simulation 3 Allocation (70 countries) $4 billion	
	$	%	$	%	$	%	$	%
Total amount allocated to LICs	1,390	69.5%	1,326	66.3%	2,202	67.7%	2,721	68.0%
Total amount allocated to vulnerable LMICs	586	29.3%	609	30.5%	983	30.3%	1,214	30.3%
Total amount allocated to SILDS	23	1.2%	65	3.3%	65	2.0%	65	1.6%
Total amount allocated to FCAC	1,202	60.1%	1,317	65.9%	2,197	67.6%	2,720	68.0%
Number of countries with new allocation smaller than 2018 MCA (<75% of MCA) Before adjustment			10		1		0	

	2018 Maximum allocations (previously MCA) (67 countries) $2 billion		Simulation 1 Allocation (70 countries) $2 billion		Simulation 2 Allocation (70 countries) $3.25 billion		Simulation 3 Allocation (70 countries) $4 billion	
Number of countries with new allocation smaller than 2018 MCA (<75% of MCA) After adjustment			0		0		0	
Total amount allocated	**2,000**		**2,000**		**3,250**		**4,000**	

Compared to the 2018 MCAs, LICs are benefiting from a slightly lower percentage of the total grant allocation, when a 2 billion total allocation is assumed (simulation 1). The proportion of resources allocated to LICs decreases from 69.5% in 2018 to 66.3% in our simulation however is still consistent with the spirit of the Board decision to ensure the majority of such funds flow to LICs. There are two main reasons for this decline.[32] The first reason is related to higher floors that were applied to many LMICs. For instance, some countries such as Ghana and Kenya had small allocations in 2018 but their allocations increased because of higher floors due to their large school-age populations. The second reason is related to the introduction of learning in the allocation formula. Many LMICs are performing well in terms of access to education but are still struggling with learning. Including learning in the allocation model allows resources to flow from LICs to some of the LMICs with the highest learning gaps.[33] Another reason for this decline is related to the fact that the 2 of the 3 new eligible countries are LMICs and this slightly contributes to driving resources from LICs to

[32] See additional simulations in Annex Tables 2 and 3

[33] Of the five countries with imputed learning data, only Somalia has a lower allocation when learning is used in the allocation formula and when the total allocation is assumed to be US$ 2 billion (Annex Table 3). The allocations for Djibouti, Eritrea, Guinea-Bissau, and Syria remain unchanged when learning is introduced in the formula, showing that imputing the learning data for these countries does not necessarily penalize them.

LMICs.[34] With higher total allocations (simulations 2 and 3) the share of funds going to LICs increases to 68% and is thus consistent with current practice. In other terms, with high total allocation amounts, the share of resources allocated to LICs and LMICs remains similar to the 2018 allocations.

Table 4: Allocation by country[35]

N	Country	SIS	LIC	Vulnerable LMICs	2018 Maximum allocations (previously MCA) (2 Billion)	Simulation 1 Allocations (2 Billon)	Simulation 2 Allocations (3.25 Billion)	Simulation 3 Allocations (4 Billion)
1	Afghanistan	NO	YES	NO	97.1	75.9	134.3	167.2
2	Bangladesh	NO	NO	YES	53.9	67.2	119.0	148.1
3	Benin	NO	NO	YES	19.4	<u>15.0</u>	26.4	32.8
4	Bhutan	YES	NO	NO	<u>1.3</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
5	Burkina Faso	NO	YES	NO	55.0	41.3	64.0	79.7
6	Burundi	NO	YES	NO	46.9	37.5	66.4	82.6
7	Cabo Verde	YES	NO	NO	<u>1.3</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
8	Cambodia	NO	NO	YES	8.5	<u>15.0</u>	17.8	22.2
9	Cameroon	NO	NO	YES	38.8	39.3	69.5	86.5
10	Central African Republic	NO	YES	NO	31.6	23.7	40.8	50.8
11	Chad	NO	YES	NO	57.0	56.0	99.2	123.4
12	Comoros	NO	NO	YES	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
13	Congo, Dem. Rep.	NO	YES	NO	100.0	100.0	162.5	200.0
14	Congo, Rep.	NO	NO	YES	0.0	7.2	12.8	15.9
15	Cote d'Ivoire	NO	NO	YES	52.1	39.1	54.5	67.9

[34] Allocating a slightly higher share of the total resources to LMICs is not necessarily inequitable given the fact that LMICs in general have large populations of poor.

[35] Underlined figures indicate that the allocation is the same as the floor.

N	Country	SIS	LIC	Vulnerable LMICs	2018 Maximum allocations (previously MCA) (2 Billion)	Simulation 1 Allocations (2 Billon)	Simulation 2 Allocations (3.25 Billion)	Simulation 3 Allocations (4 Billion)
16	Djibouti	NO	NO	YES	5.0	5.0	5.0	5.0
17	Eritrea	NO	YES	NO	15.3	11.5	11.6	13.8
18	Ethiopia	NO	YES	NO	100.0	100.0	162.5	200.0
19	Gambia, The	NO	YES	NO	5.0	5.0	6.2	7.7
20	Ghana	NO	NO	YES	9.4	20.0	34.1	42.4
21	Guinea	NO	YES	NO	37.9	28.4	38.7	48.1
22	Guinea-Bissau	NO	YES	NO	5.0	5.0	6.1	7.6
23	Haiti	NO	YES	NO	9.9	25.9	45.8	57.0
24	Kenya	NO	NO	YES	9.7	30.1	53.3	66.3
25	Kiribati	YES	NO	NO	1.3	2.5	2.5	2.5
26	Lao PDR	NO	NO	YES	5.0	10.0	10.0	10.0
27	Lesotho	NO	NO	YES	5.0	5.0	5.0	5.0
28	Liberia	NO	YES	NO	17.8	13.3	21.6	26.9
29	Madagas-car	NO	YES	NO	66.4	54.2	95.8	119.3
30	Malawi	NO	YES	NO	48.7	49.1	86.9	108.1
31	Mali	NO	YES	NO	45.7	46.3	82.0	102.1
32	Mauritania	NO	NO	YES	6.8	5.1	8.5	10.5
33	Micronesia, Fed. Sts.	YES	NO	NO	1.3	2.5	2.5	2.5
34	Mozam-bique	NO	YES	NO	100.0	99.2	162.5	200.0
35	Myanmar	NO	NO	YES	49.9	37.5	51.9	64.7
36	Nepal	NO	YES	NO	9.2	20.0	20.0	20.0
37	Nicaragua	NO	NO	YES	5.0	5.0	5.0	6.3
38	Niger	NO	YES	NO	85.1	78.8	139.4	173.6
39	Nigeria	NO	NO	YES	100.0	100.0	162.5	200.0
40	Pakistan	NO	NO	YES	100.0	100.0	162.5	200.0
41	Papua New Guinea	NO	NO	YES	5.0	10.0	15.1	18.8
42	Rwanda	NO	YES	NO	30.8	23.1	38.6	48.0

N	Country	SIS	LIC	Vulnerable LMICs	2018 Maximum allocations (previously MCA) (2 Billion)	Simulation 1 Allocations (2 Billon)	Simulation 2 Allocations (3.25 Billion)	Simulation 3 Allocations (4 Billion)
43	Sao Tome and Principe	YES	NO	NO	1.3	2.5	2.5	2.5
44	Senegal	NO	NO	YES	32.6	25.0	44.3	55.2
45	Sierra Leone	NO	YES	NO	14.7	14.3	25.3	31.5
46	Solomon Islands	YES	NO	NO	1.3	5.0	5.0	5.0
47	Somalia	NO	YES	NO	84.9	74.9	132.5	165.0
48	South Sudan	NO	NO	YES	41.7	32.9	58.1	72.4
49	Sudan	NO	YES	NO	59.0	50.8	89.9	111.9
50	Syrian Arab Republic	NO	YES	NO	25.0	18.7	22.2	27.6
51	Tajikistan	NO	YES	NO	0.0	10.0	10.0	10.0
52	Tanzania	NO	YES	NO	100.0	99.7	162.5	200.0
53	Timor-Leste	YES	NO	NO	1.3	5.0	5.0	5.0
54	Togo	NO	YES	NO	15.6	15.7	27.7	34.5
55	Uganda	NO	YES	NO	100.0	100.0	162.5	200.0
56	Vanuatu	YES	NO	NO	1.3	2.5	2.5	2.5
57	Yemen, Rep.	NO	YES	NO	32.4	47.6	84.2	104.8
58	Zambia	NO	NO	YES	15.9	19.8	35.0	43.6
59	Zimbabwe	NO	NO	YES	11.7	15.9	28.2	35.1
60	Dominica	YES	NO	NO	1.3	2.5	2.5	2.5
61	Fiji	YES	NO	NO	0.0	5.0	5.0	5.0
62	Grenada	YES	NO	NO	1.3	2.5	2.5	2.5
63	Guyana	YES	NO	NO	1.3	5.0	5.0	5.0
64	Maldives	YES	NO	NO	1.3	5.0	5.0	5.0
65	Marshall Islands	YES	NO	NO	1.3	2.5	2.5	2.5
66	Samoa	YES	NO	NO	1.3	2.5	2.5	2.5
67	St. Lucia	YES	NO	NO	1.3	2.5	2.5	2.5
68	St. Vincent and the Grenadines	YES	NO	NO	1.3	2.5	2.5	2.5

N	Country	SIS	LIC	Vulnerable LMICs	2018 Maximum allocations (previously MCA) (2 Billion)	Simulation 1 Allocations (2 Billon)	Simulation 2 Allocations (3.25 Billion)	Simulation 3 Allocations (4 Billion)
69	Tuvalu	YES	NO	NO	1.3	2.5	2.5	2.5
70	Tonga	YES	NO	NO	1.3	2.5	2.5	2.5
	Total				2000	2000	3250	4000

Table 5: Some additional simulations (testing the effects of learning and the school-age population-based floors)

	2018 Maximum allocations (previously MCA) (67 countries) $2 billion		Simulation 1 Allocation (70 countries) $2 billion		Allocation (70 countries) $2 billion/ without learning but with population-based floor		Allocation (70 countries) $2 billion/ with learning but without pop-based floor		Allocation (70 countries) $2 billion/ without learning and without population-based floor	
	$	%	$	%	$	%	$	%	$	%
Total amount allocated to LICs	1,390	69.5%	1,326	66.3%	1,350	67.5%	1,337	66.8%	1,385	69.3%
Total amount allocated to vulnerable LMICs	586	29.3%	609	30.5%	585	29.3%	616	30.8%	567	28.4%
Total amount allocated to SILDS	23	1.2%	65	3.3%	65	3.3%	48	2.4%	48	2.4%
Total amount allocated to FCAC	1,202	60.1%	1,317	65.9%	1,345	67.3%	1,345	67.2%	1,378	68.9%
Total amount allocated	**2,000**		**2,000**		**2,000**		**2,000**		**2,000**	

Table 6: Testing the effects of learning and the school-age population-based floors: Results by country

N	Country	2018 Maximum allocations (previously MCA) ($2 Billion)	Allocations (2 Billon) with learning and pop-based floor (Simulation 1)	Allocations (2 Billon)- without learning but with pop-based floors	Allocations (2 Billon)- with learning but without pop-based floor[36]	Allocations (2 Billon)- without learning and without pop-based floor
1	Afghanistan	97.1	75.9	77.9	80.3	85.0
2	Bangladesh	53.9	67.2	44.7	71.1	48.9
3	Benin	19.4	15.0	15.0	15.8	15.1
4	Bhutan	1.3	5.0	5.0	2.5	2.5
5	Burkina Faso	55.0	41.3	41.3	38.3	41.8
6	Burundi	46.9	37.5	40.8	39.7	44.5
7	Cabo Verde	1.3	5.0	5.0	2.5	2.5
8	Cambodia	8.5	15.0	15.0	10.7	9.8
9	Cameroon	38.8	39.3	40.5	41.5	44.2
10	Central African Republic	31.6	23.7	27.7	24.4	30.3
11	Chad	57.0	56.0	65.7	59.3	71.7
12	Comoros	5.0	5.0	5.0	7.5	7.5
13	Congo, Dem. Rep.	100.0	100.0	100.0	100.0	100.0
14	Congo, Rep.		7.2	6.5	7.6	7.5
15	Cote d'Ivoire	52.1	39.1	39.1	32.6	33.0
16	Djibouti	5.0	5.0	5.0	7.5	7.5
17	Eritrea	15.3	11.5	11.5	7.5	7.5
18	Ethiopia	100.0	100.0	100.0	100.0	100.0
19	Gambia, The	5.0	5.0	5.0	7.5	7.5
20	Ghana	9.4	20.0	20.0	20.4	9.8
21	Guinea	37.9	28.4	28.4	23.1	26.4
22	Guinea-Bissau	5.0	5.0	5.0	7.5	7.5

[36] The floors are US$ 2.5 million for SILDS and US$ 7.5 million for the other countries.

N	Country	2018 Maximum allocations (previously MCA) ($2 Billion)	Allocations (2 Billon) with learning and pop-based floor (Simulation 1)	Allocations (2 Billon)- without learning but with pop-based floors	Allocations (2 Billon)- with learning but without pop-based floor[36]	Allocations (2 Billon)- without learning and without pop-based floor
23	Haiti	9.9	25.9	28.8	27.4	31.5
24	Kenya	9.7	30.1	25.0	31.9	20.5
25	Kiribati	1.3	2.5	2.5	2.5	2.5
26	Lao PDR	5.0	10.0	10.0	7.5	7.5
27	Lesotho	5.0	5.0	5.0	7.5	7.5
28	Liberia	17.8	13.3	13.3	12.9	13.4
29	Madagascar	66.4	54.2	57.6	57.3	62.9
30	Malawi	48.7	49.1	43.9	51.9	47.9
31	Mali	45.7	46.3	49.9	49.0	54.5
32	Mauritania	6.8	5.1	5.1	7.5	7.5
33	Micronesia, Fed. Sts.	1.3	2.5	2.5	2.5	2.5
34	Mozambique	100.0	99.2	100.0	100.0	100.0
35	Myanmar	49.9	37.5	37.5	31.1	27.3
36	Nepal	9.2	20.0	20.0	8.5	7.5
37	Nicaragua	5.0	5.0	5.0	7.5	7.5
38	Niger	85.1	78.8	76.8	83.4	83.9
39	Nigeria	100.0	100.0	100.0	100.0	100.0
40	Pakistan	100.0	100.0	100.0	100.0	100.0
41	Papua New Guinea	5.0	10.0	10.0	9.0	8.0
42	Rwanda	30.8	23.1	23.1	23.1	20.5
43	Sao Tome and Principe	1.3	2.5	2.5	2.5	2.5
44	Senegal	32.6	25.0	28.1	26.5	30.6
45	Sierra Leone	14.7	14.3	11.9	15.1	13.0
46	Solomon Islands	1.3	5.0	5.0	2.5	2.5
47	Somalia	84.9	74.9	86.4	79.2	94.4
48	South Sudan	41.7	32.9	39.1	34.8	42.7

N	Country	2018 Maximum allocations (previously MCA) ($2 Billion)	Allocations (2 Billon) with learning and pop-based floor (Simulation 1)	Allocations (2 Billon)- without learning but with pop-based floors	Allocations (2 Billon)- with learning but without pop-based floor[36]	Allocations (2 Billon)- without learning and without pop-based floor
49	Sudan	59.0	50.8	50.4	53.7	55.0
50	Syrian Arab Republic	25.0	18.7	18.7	13.2	10.4
51	Tajikistan		10.0	10.0	7.5	7.5
52	Tanzania	100.0	99.7	100.0	100.0	100.0
53	Timor-Leste	1.3	5.0	5.0	2.5	2.5
54	Togo	15.6	15.7	13.3	16.6	14.5
55	Uganda	100.0	100.0	100.0	100.0	100.0
56	Vanuatu	1.3	2.5	2.5	2.5	2.5
57	Yemen, Rep.	32.4	47.6	42.1	50.3	46.0
58	Zambia	15.9	19.8	15.0	20.9	15.0
59	Zimbabwe	11.7	15.9	15.0	16.8	9.9
60	Dominica	1.3	2.5	2.5	2.5	2.5
61	Fiji		5.0	5.0	2.5	2.5
62	Grenada	1.3	2.5	2.5	2.5	2.5
63	Guyana	1.3	5.0	5.0	2.5	2.5
64	Maldives	1.3	5.0	5.0	2.5	2.5
65	Marshall Islands	1.3	2.5	2.5	2.5	2.5
66	Samoa	1.3	2.5	2.5	2.5	2.5
67	St. Lucia	1.3	2.5	2.5	2.5	2.5
68	St. Vincent and the Grenadines	1.3	2.5	2.5	2.5	2.5
69	Tuvalu	1.3	2.5	2.5	2.5	2.5
70	Tonga	1.3	2.5	2.5	2.5	2.5
		2000.0	2000.0	2000	2000	2000

Table 7: List of Countries and/or Territories eligible for GPE Funding

2017 (89 Countries)				2020 (using WB updated list of LICs and LMICs) and SILDS updated list (90 countries/territories)			
1	Afghanistan	46	Mauritania	1	Afghanistan	46	Mozambique
2	Armenia	47	Micronesia, Fed. Sts.	2	Algeria	47	Myanmar
3	Bangladesh	48	Moldova	3	Angola	48	Nepal
4	Benin	49	Mongolia	4	Bangladesh	49	Nicaragua
5	Bhutan	50	Morocco	5	Benin	50	Niger
6	Bolivia	51	Mozambique	6	Bhutan	51	Nigeria
7	Burkina Faso	52	Myanmar	7	Bolivia	52	Pakistan
8	Burundi	53	Nepal	8	Burkina Faso	53	Papua New Guinea
9	Cabo Verde	54	Nicaragua	9	Burundi	54	Philippines
10	Cambodia	55	Niger	10	Cabo Verde	55	Rwanda
11	Cameroon	56	Nigeria	11	Cambodia	56	Sao Tome and Principe
12	Central African Republic	57	Pakistan	12	Cameroon	57	Senegal
13	Chad	58	Papua New Guinea	13	Central African Republic	58	Sierra Leone
14	Comoros	59	Philippines	14	Chad	59	Solomon Islands
15	Congo, Dem. Rep.	60	Rwanda	15	Comoros	60	Somalia
16	Congo, Rep.	61	Samoa	16	Congo, Dem. Rep.	61	South Sudan
17	Côte d'Ivoire	62	Sao Tome and Principe	17	Congo, Rep.	62	Sri Lanka
18	Djibouti	63	Senegal	18	Cote d'Ivoire	63	Sudan
19	Dominica	64	Sierra Leone	19	Djibouti	64	Syrian Arab Republic
20	Egypt, Arab Rep.	65	Solomon Islands	20	Egypt, Arab Rep.	65	Tajikistan
21	El Salvador	66	Somalia	21	El Salvador	66	Tanzania
22	Eritrea	67	South Sudan	22	Eritrea	67	Timor-Leste
23	Ethiopia	68	Sri Lanka	23	Eswatini	68	Togo
24	India	69	St. Lucia	24	Ethiopia	69	Tunisia
25	Gambia, The	70	St. Vincent and the Grenadines	25	Gambia, The	70	Uganda
26	Ghana	71	Sudan	26	Ghana	71	Ukraine
27	Grenada	72	Eswatini	27	Guinea	72	Uzbekistan
28	Guatemala	73	Syrian Arab Republic	28	Guinea-Bissau	73	Vanuatu
29	Guinea	74	Tajikistan	29	Haiti	74	Vietnam
30	Guinea-Bissau	75	Tanzania	30	Honduras	75	Yemen, Rep.
31	Guyana	76	Timor-Leste	31	India	76	Zambia
32	Haiti	77	Togo	32	Kenya	77	Zimbabwe
33	Honduras	78	Tonga	33	Kiribati	78	Dominica
34	Indonesia	79	Tunisia				
35	Kenya	80	Tuvalu				

2017 (89 Countries)				2020 (using WB updated list of LICs and LMICs) and SILDS updated list (90 countries/territories)			
36	Kiribati	81	Uganda	34	Kyrgyz Republic	79	Fiji
37	Kyrgyz Republic	82	Ukraine	35	Lao PDR	80	Grenada
38	Lao PDR	83	Uzbekistan	36	Lesotho	81	Guyana
39	Lesotho	84	Vanuatu	37	Liberia	82	Maldives
40	Liberia	85	Vietnam	38	Madagascar	83	Marshall Islands
41	Madagascar	86	West Bank and Gaza	39	Malawi	84	Samoa
42	Malawi	87	Yemen, Rep.	40	Mali	85	St. Lucia
43	Maldives	88	Zambia	41	Mauritania	86	St. Vincent and the Grenadines
44	Mali	89	Zimbabwe	42	Micronesia, Fed. Sts.	87	Tuvalu
45	Marshall Islands			43	Moldova	88	Tonga
				44	Mongolia	89	West Bank and Gaza
				45	Morocco	90	Indonesia*

Countries that are no longer eligible for funding
Newly Eligible for funding
*Assumes Board approves use of 3-year median GNI per capita

Annex 2 - GPE Multiplier Allocation and Updates

In September 2020, the Board of Directors expanded Multiplier eligibility to all countries able to access GPE resources. (This includes countries that are current members and countries that are eligible to access GPE resources but not yet members). The Board of Directors also determined to allocate up to twenty percent (20%) of available grant resources for the 2021-2025 financing period through the Multiplier.

This document sets out proposed design options to improve the instrument's performance, lower transaction costs, and enable GPE to deploy a larger scale of funding to more eligible countries:

- Updated allocations to account for an increase in available resources
- Differentiated cofinancing requirements to incent the most concessional funding available

The Board also instructed the Secretariat to ensure full transparency and lesson learning from implementing the Multiplier in the 2021 – 2025 period through a robust monitoring and evaluation strategy. The Multiplier has therefore been integrated into the organization-wide Monitoring, Evaluation, and Learning strategy (BOD/2020/11/12 DOC 10).

Traction to date

The GPE Multiplier is an innovative financing instrument to incentivize diverse partners to invest more and better in education in GPE partner countries. GPE's Board of Directors approved the instrument in 2017 and expanded the resources available for allocation through the instrument to US$ 300 million in 2018. (This represented approximately 10% of total resources for the 2018-2020 period. This was reduced to 7.5% / US$ 250 million, following a reallocation of funds to the Covid Accelerated Funding Window).

During the 2018-2020 period, sixty-eight (68) countries have been eligible for Multiplier grants. To secure an allocation, partners collaborate to mobilize at least US$ 3 in new and additional cofinancing for education for each US$ 1 in supplemental funding from the GPE Fund through a Multiplier grant, up to a maximum grant level. Maximum grant levels are determined based on school-age population using internationally comparable data.

Over US$ 226 million has been allocated in Multiplier grants across 25 countries, of which 14 have subsequently submitted a successful grant application for a total of over US$ 105 million in GPE funds.

These allocations have mobilized significant resources for education. The current level of commitments and approved Multiplier grants is cumulatively associated with US$ 882 million in reported cofinancing. At least a further US$ 38 million is forecast to be allocated by the end of 2020, helping to mobilize an associated US$ 114 million in cofinancing. This will bring the total cofinancing mobilized to US$ 996 million, exceeding the target set out in the previous Case for Investment. This level of cofinancing has been achieved due to a higher average cofinancing (or mobilization) ratio than envisaged or required of US$ 3.8 in external financing for each US$ 1 in Multiplier funds.

Updating allocation thresholds

During the 2018-2020 period, countries' maximum Multiplier allocations were determined based on their school-age populations in the GPE 2020 strategy's priority subsectors (primary and lower secondary). In June 2020, the Board reaffirmed *access* as one of several priority areas for GPE and updated its definition to be "…12 years plus at least 1 year of pre-primary education" (BOD/2020/06-07— Strategic Plan).

The Multiplier has leveraged significant additional resources for education. However, the Integrated Summative Evaluation (ISE) of GPE indicated that sourcing cofinancing for the Multiplier created transaction costs for many countries. Similarly, feedback from developing country partners (DCPs) has indicated that in some cases the effort required to source cofinancing is high given the payoff in terms of funding mobilized.

The table below sets out updated allocation ceilings based on this feedback. It uses expanded and updated data on school-age population to match the data used in the allocation formula for the Systems Transformation Grant (STG). The population-based ceilings also match those used for the STG. (Please see Annex 1 - System Transformation Grant: Eligibility and Allocation for details).

Projected available resources will not be known until after the financing campaign pledging event and the total Multiplier envelope will then be finalized by the Board. With more funding available, higher grant sizes would be feasible. With less funding available, lower grant sizes are optimal to ensure more countries can access the instrument. To accommodate this, the table sets out two groups of allocations.

In both cases, the allocations levels have been increased in line with enhanced resources available for Multiplier grants. The larger grants are expected to further improve incentives for transformative change by countries and cofinancing partners, enable larger programs that bring increased economies of scale, and provide a higher reward for the investment of effort in securing an allocation. (As in the 2018-2020 period, some countries can choose to access a portion of their allocation if cofinancing partners mobilize less than the total required to trigger its full value).

A: US$ 750 million or more in Multiplier resources Allocation ceiling US$	B: Less than US$ 750 million in Multiplier resources Allocation ceiling US$	Minimum School-age population (primary and secondary)	Number of countries/territories eligible
Up to US$ 50 million	Up to US$ 40 million	Over 10.8 million	Afghanistan, Angola, Bangladesh, Congo, Dem. Rep., Egypt, Arab Rep., Ethiopia, India, Indonesia, Kenya, Mozambique, Myanmar, Nigeria, Pakistan, Philippines, Sudan, Uganda, Tanzania, Vietnam [18]
Up to US$ 40 million	Up to US$ 30 million	Over 5.8 million to 10.8 million	Algeria, Burkina Faso, Cameroon, Chad, Cote d'Ivoire, Ghana, Madagascar, Malawi, Mali, Morocco, Nepal, Niger, Senegal, Somalia, Ukraine, Uzbekistan, Yemen, Rep., Zambia [18]
Up to US$ 30 million	Up to US$ 20 million	Over 3.6 million to 5.8 million	Benin, Burundi, Cambodia, Guinea, Haiti, Rwanda, South Sudan, Sri Lanka, Syrian Arab Republic, Zimbabwe [10]
Up to US$ 15 million	Up to US$ 10 million	1.6 million to 3.6 million	Bolivia, Central African Republic, Congo, Rep., El Salvador, Honduras, Kyrgyz Republic, Lao PDR, Liberia, Mauritania, Nicaragua, Papua New Guinea, Sierra Leone, Tajikistan, Togo, Tunisia, West Bank and Gaza [16]
Up to US$ 5 million	Up to US$ 5 million	Below 1.6 million	Bhutan, Cabo Verde, Comoros, Djibouti, Dominica, Eritrea, Eswatini, Fiji, Gambia, The, Grenada, Guinea-Bissau, Guyana, Kiribati, Lesotho, Maldives, Marshall Islands, Micronesia, Fed. Sts., Mongolia, Moldova, St. Lucia, St. Vincent and the Grenadines, Samoa, Sao Tome and Principe, Solomon Islands, Timor-Leste, Tonga, Tuvalu, Vanuatu [28]

The proposed revised allocation levels above imply larger potential allocations for all countries. The allocations are for up to the specified amounts, and countries can secure lower levels of grants based on the available cofinancing or preferences over the types of cofinancing available. Cofinancing partners and countries would still need to mobilize sufficient cofinancing to unlock these allocations, based on the proposed differentiated approach below.

It is important to ensure consistency and minimizes disruption for countries in various stages of eligibility and implementation of existing and future Multiplier grants. Countries may therefore be in one of the following circumstances:

- Countries with an approved Multiplier grant will continue to implement it. They can apply for a further Multiplier allocation based on the updated allocation level available, as set out above. They will be able to access it when the implementation of the current program is sufficiently advanced.
- Countries that secure an allocation before the end of the 2020 calendar year can submit a grant application using it up to the end of the 2021 calendar year and may use the existing funding model
- From January 2021 to June 2021, countries would be eligible to submit expressions of interest to secure allocations for the larger grant size above under Column B. If sufficient resources are made available, and provided the co-financing threshold is met, the allocations may be increased per Column A once the financing conference has concluded.

Roll out of the Multiplier will be consistent with the 2021-2025 Operating Model. In this period, GPE will support DCPs and their partners to agree Partnership Compacts. As these will be undertaken on a rolling basis, not all GPE-eligible countries will simultaneously have a Compact in place. Where a Compact is in place, it would be expected that the Multiplier funding be aligned, in principle, with it (that is, supports interventions or outcomes identified as priorities in the Compact). This would reinforce the potential for a pooled funding around such priority, including leveraging financing from foundations or companies. Where a Compact is not yet in place, GPE's funding would pursue national priorities, as set out in a relevant sector plan or equivalent national planning document. In all cases, cofinancing used to unlock the Multiplier would be required to align to the Compact or relevant national planning document or demonstrably complement the activities of GPE's funding.

The Secretariat will update the operational guidance for the Multiplier to align it with updated GPE instruments in countries eligible for other forms of program implementation funding such as the System Transformation Grant. Given the need to ensure predictability of GPE funding to stimulate additional co-financing, it is not proposed that the 60/40 split where requirements are not met as outlined in the Operating Model be applied. Rather the same assessment will determine if requirements, particularly around domestic finance commitments are satisfactory in order to access the Multiplier. Fixed and Variable allocations will continue to apply, aligned with the Systems Transformation Grant.

Differentiated cofinancing requirements

During the 2018-2020 period, any source of cofinancing could enable a country to secure a Multiplier allocation, based on the ratio of US$ 3 in new and additional resources for each US$ 1 in Multiplier resources. This carried the benefit of applying a single, harmonized approach to all types of cofinancing. As of end-August 2020, grants accounted for 30.2% of total reported cofinancing mobilized by the Multiplier.

With a view to strengthening incentives for contributions from non-sovereign donors such as the business community and private foundations (See BOD/2020/11/12 DOC 08 Annex 2 Matching Grants) and to encourage more concessional cofinancing, differentiated co-financing requirements are proposed.

Cofinancing instrument	**Proposed ratio of Cofinancing Resources to Multiplier Resources**
Grants and grant-equivalents[37] from business community and private foundations	US$ 1 to US$ 1
Other sources of co-financing	US$ 3 to US$ 1

For example, consider a country eligible for a Multiplier grant of up to US$ 30 million. This could be secured by mobilizing cofinancing from a concessional loan of US$ 90 million. The resulting program would then be US$ 120 million, comprised of US$ 90 million in loans and a US$ 30 million Multiplier grant. Alternatively, if US$ 60 million in concessional lending were mobilized for education because of the Multiplier and a further US$ 10 million were provided in grants from a foundation, the total program would be US$ 100 million, comprised of US$ 20 million in Multiplier funding mobilized by the concessional loan, US$ 10 million in Multiplier

[37] Eligible in-kind contributions as described in the Innovative Finance Document Annex on Matching Grant

funding mobilized by the foundation grant based on the US$1 to US$1 match, and US$ 70 million in total cofinancing.

The potential benefits of such an approach include incentivizing resource mobilization from more non-sovereign actors in the business community and foundations; increasing the mobilization of grants and cash-equivalents; and enabling countries to assemble larger overall financing packages on more concessional terms. The potential risks of such an approach include mobilizing more concessional but smaller overall financing packages and added complexity of engaging with multiple types of cofinancing.

There may be merit in considering further differentiation of co-financing requirements to incentivize other approaches. For example, given the desire to improve the alignment of partner resources in support of priorities outlined in the Compact, a US$2:US$1 incentive (rather than US$3:1) might be applied for more aligned modalities (such as financing flowing through a pooled fund instead of a separate project) in support of systems transformation. This is not proposed for decision at this point, but a discussion of the merits of further differentiation in cofinancing requirements may be timely.

Sectoral focus

During the 2018-2020 period, cofinancing for the Multiplier was required to be allocated, in principle, to GPE's priority sub-sectors as set out in the GPE's Strategic Plan, specifically "basic education, defined as pre-primary, primary, lower secondary education and second-chance learning opportunities. Where equitable learning outcomes are well advanced at basic education levels, it may be appropriate for GPE to provide additional investments in early childhood care or upper secondary education" (*GPE 2020*: *Improving Learning and Equity Through Stronger Education Systems*).

In June 2020, the Board adopted an updated vision, mission, and goals that include a commitment to "…12 years plus at least 1 year of pre-primary education" (BOD/2020/06-07—Strategic Plan). In September 2020, the Board approved an expansion of eligibility to all countries eligible for GPE resources (BOD/2020/09-02). Given this expanded focus, guidance on subsectors targeted by cofinancing mobilized by the Multiplier can be adapted so that funding for a broader group of subsectors would be eligible in line with GPE 2025.

Financial implications of scale up

In September 2020, the Board directed the Secretariat to report on the potential financial implications of allocating up to 20% of GPE resources to Multiplier grants.

As in the 2018-2020 period, Multiplier allocations will be contingent and are secured by countries and partners on a demand driven basis subject to availability of funds. Specifically, if every eligible country in the 2018-2020 period accessed the full value of its potential allocation, this would have required US$ 697 million in total resources. This means the US$ 300 million originally allocated to the facility could cover 43% of maximum potential demand, and 36% after the available funds were reduce to US$350 million in response to COVID.

Based on the Financing campaign target of at least US$ 5 billion and accounting for provisions for operating expenses and agency fees, an allocation of up to 20% of available grant resources implies up to US$ 900 million would be available for Multiplier allocations. Using the proposed allocation thresholds set out above, if all eligible countries accessed their Multiplier allocations, this would require US$ 2.3 billion in total resources meaning we could satisfy 39% of maximum potential demand with US$900 million and 33% with US$750m. In a situation where less than US$750 million in Multiplier resources were available, it's proposed to reduce the maximum allocations per country as set out in Column B so that total potential demand would be US$1.76 billion meaning we could satisfy 43% of potential demand and if less resources were available this would drop further. These approaches are roughly in line with the current level of funds available versus maximum potential demand for the 2018-2020 period.

Implications for the Secretariat of increasing the number of Multiplier-eligible countries

Twelve (12) countries deemed eligible for the Multiplier in June 2018 were not GPE member countries and additional Secretariat capacity was required to engage with them. In September 2020, the Board made all GPE-eligible countries eligible for the Multiplier (BOD/2020/09-02). Practically, this would increase eligibility from sixty-eight (68) to ninety (90).

The expansion in eligibility for the 2021-2025 period does not carry the same increase in resource requirements: many of the newly-Multiplier eligible countries are already GPE members and therefore have designated staff already assigned. Nevertheless, expanding Multiplier eligibility and allocations requires additional staff effort to ensure equitable access to these grants by countries and robust commitment / disbursement rates. The overview document on innovative financing explores some of the initial resource considerations of the funding framework.

Annex 3 – Systems Capacity Grant – Eligibility and Allocation

Background

The purpose of the System Capacity Grant is to provide continually available and flexible funding to support system-wide capacity strengthening across all aspects of GPE's country-level objectives. It provides funding for a broad range of eligible activities throughout countries' policy cycles (see BOD/2020/11/12 DOC 05 Annex 2). The system capacity grant subsumes the current Education Sector Plan Development Grant (ESPDG) and continues the evolution of the ESPDG that was expanded to include funding for joint sector reviews. It also builds on the pilot financing for sector coordination under the Effective Partnership Rollout.

Eligibility

Similar to the current education sector plan development grants (ESPDG), it is proposed that the System Capacity Grants would be available to all GPE funding eligible countries and territories. This would allow GPE to continue to provide funding across the whole portfolio to strengthen education sector planning and implementation monitoring, as well as to support sector coordination and capacity strengthening in line with gaps identified in the Partnership Compact. Demand for the current ESPDG has been high across the eligible countries, including for the countries that were not eligible for an ESPIG and which expressed their interest in support on strengthening sector planning, more and equitable domestic financing, and a more aligned aid mechanism.

Allocations

In comparison with the ESPDG which only funds education sector planning and monitoring, allocations for the System Capacity Grant will need to substantially increase as it envisages to provide support on system-wide capacity strengthening across all aspects of GPE's country-level objectives. Next to the current windows on education sector analysis, ESP development and joint sector review, the System Capacity grant would also provide funding to deal with gaps identified through the assessment of country performance with respect to the different requirement areas, including sector coordination, domestic financing and data. It could thus provide support to (cross-)sector coordination (building on the pilot under the effective partnership), establishing more aligned and/or pooled funding mechanism, data system strengthening. In addition, the SCG can be used to strengthen capacity, adapt and learn, to implement and drive results at scale in focus areas identified in the Compact.

It is thus proposed to increase the allocation to a maximum of US$5 million for a 5-year period, with allocation levels using a formula based on a combination of population and capacity considerations. The Secretariat proposed to use school aged population with a 70% weighting combined with the Country Policy and Institutional Assessment (CPIA) score with a 30% weighting to determine maximum ceilings. The allocations are proposed to be capped at US$1 million for Small Island and Landlocked Developing States with very small school aged populations (less than 50k)

The Secretariat will further explore the limited criteria in which it may be justified for the maximum allocation to be exceeded and present this for FRC review and decision under delegated authority from the Board

Application and approval process

In line with the current ESPDG, the application process for the Sector Capacity Grant should be simple and streamlined, to provide sufficient flexibility to respond adaptively to differentiated needs to strengthen capacity that emerge during development and implementation of plans or policies. For instance, a country faced with a plan or policy that stalls during implementation may choose to use their system capacity grant to fund a study to identify implementation challenges and remedial actions. Like the ESPDG, the government will be provided flexibility to apply for different windows separately, opting for a different grant agent where needed. To respond efficiently to these requests, the Secretariat would have delegated authority to approve the System Capacity Grant in line with the existing practice for ESPDG. The Board will however approve the Compact which will identify focus areas for the system capacity grant aligning closely with gaps identified through the assessment of country performance with respect to the four requirement areas listed above. This will ensure a systematic focus of the capacity grant on the areas of greatest need.

An initial allocation from the system capacity grant will be available from the start of 2021. Next to activities related to the development of the Compact in countries expected to apply in 2021, these will include resources for all eligible activities under the current ESPDG to ensure continuity in funding for sector plan development and monitoring through joint sector reviews. The Secretariat will develop guidance to gradually make other windows within the Sector Capacity Grant available.