BOD/2018/12 DOC 07
Meeting of the Board of Directors
December 06 – 07, 2018
Dublin, Ireland

SUPPORT FOR COUNTRY-LEVEL RESOURCE MOBILIZATION THROUGH THE EDUCATION SECTOR INVESTMENT CASE (ESIC) APPROACH: TESTING AND EVALUATION PERIOD

For Decision

Please note: Committee papers are deliberative in nature and, in accordance with the GPE Transparency Policy, are not public documents. It is understood that constituencies will circulate Committee documents among their members prior to the Committee meeting for consultation purposes.

1. STRATEGIC PURPOSE

1.1 Based on the Finance and Risk Committee (FRC) recommendations, the Board is asked to consider the proposed Education Sector Investment Case (ESIC) Approach.

1.2 The Approach provides targeted support that is tightly integrated with the Education Sector Plan (ESP) development process. The support aims to increase resource mobilization for ESPs and improve the alignment and harmonization of the support. A learning and monitoring mechanism is set out. The Approach could be scaled up subject to evidence of traction generated by the learning mechanism.

1.3 The proposed Approach draws on a detailed study paper, *The Education Sector Investment Case Approach: Options for mobilizing more and better financing at the country level* ("Study", available in full as an Attachment).

Summary of Finance and Risk Committee (FRC) Deliberations:

Committee members expressed gratitude that the work was substantive and well thought-through, reflecting input from key stakeholders. Members raised several points of clarification:

- Audience: The committee was grateful to observe that the Ministry of Finance was clearly included.
- Learning: Committee members were pleased to note a robust learning mechanism but noted that it may be difficult to collect input through an online survey (one of the proposed tracking mechanisms) and indicated that the review of the approach should be continuously reported to FRC as well as through the annual Portfolio Review.
- Diversity: The learning mechanism should reflect differences between where the ESIC Approach is tested and where it is not, and that the group of countries in which it is to be tested should be diverse.
- Coordination: The ESIC Approach should align fully with existing GPE processes and Mechanisms, including the KIX and ASA. The Committee suggested the Approach could be embedded in the Country Support Team or Quality Assurance Team. The Committee noted positively the proposal's efforts to integrate with existing processes without raising transaction costs.
- Strategy: The Approach should address different and distinct audiences and support a strategic, country-level dialogue on education funding and finance.

The Secretariat noted its capacity constraints and suggested that a long-term consultant could support delivery. Given the hiring freeze, the Secretariat is reluctant to seek additional headcount during the proposed testing period. The Secretariat highlighted that the recently-released Human Capital Index may facilitate outreach.

Developing Country Partners (DCP) Focal Points Meeting Deliberations:

DCP Focal Points thanked the Secretariat and consultants for their work preparing options for implementing the ESIC Approach and noted its origin in the Financing and Funding Framework. The Focal Points asked that several principles be included in the final paper:

- Audience: The Ministry of Finance (MoF) should not be the only audience. Other allocative or line Ministries and government actors should be emphasized, depending on the country context. Different DCPs will have different demands and audiences. Hence it must go a long way beyond MoFs.
- Transaction costs: Focal Points asked the Secretariat to strongly emphasize an Approach that does not increase transaction costs. It should be a reinforcing Mechanism for existing GPE instruments.
- Questions were raised about the links to the Private Sector Strategy and the overall multiplicity of initiatives. GPE's approach is process-heavy.
- Country selection: While there was general support for ESIC, the cautious trial, or proof of concept, was appreciated, especially if it fits properly with current country planning processes.
- Focal Points requested that the Approach be tested in a variety of country contexts, including challenging contexts and across a diverse sample of countries.
- Learning: The Approach should have a strong learning (monitoring & evaluation) component.
- Ownership: Focal Points reinforced the paper's recommendation that the selection of countries in the testing period be demand-driven and defined as a DCP-led and DCP-requested initiative.

The Secretariat noted the Focal Points' direction and emphasized that the ESIC Approach originated with DCPs' requests for further support for country-level resource mobilization and alignment.

2. RECOMMENDED DECISION

The Finance and Risk Committee recommends to the Board to approve the following decision:

BOD/2018/12-XX- <u>ESIC Approach: Resourcing and Testing</u>: The Board of Directors:

1. Approves the ESIC Approach as outlined in BOD/2018/12 DOC 07 for a demonstration and learning period of 18 - 24 months.
2. Requests the Secretariat to ensure appropriate monitoring and evaluation per the arrangements described in BOD/2018/12 DOC 07 to ascertain the validity and traction of the Approach.
3. Requests the Secretariat to include updates on the implementation of these arrangements in the Portfolio Review.

3. BACKGROUND

3.1 In 2017, GPE's Board of Directors ("Board") approved the Financing and Funding Framework (FFF). The FFF includes a range of new mechanisms designed to increase and expand the range of support provided through and / or to the Partnership for development and implementation of Education Sector Plans (ESPs). One such innovation includes the development and operationalization of the Education Sector Investment Case (ESIC) approach ("approach").

3.2 The Board's resolution clarifies the dimensions of this approach. It sets out that "the Education Sector Investment Case will draw on countries' financing framework and implementation plan…to enable a more active coordination and crowding in of additional external finance to support education sector plan implementation across development partners…." (BOD/2017/03 DOC 03 – Annex 3). The approach seeks to take advantage of work already included in the GPE model and supported by the Secretariat to mobilize more and better funding in support of Education Sector Plans. "More" refers to increased resources, while "better" refers better-aligned and/or better-harmonized resources.

3.3 Responding to the Board's mandate to operationalize the Approach, the Secretariat jointly contracted Dalberg Development Advisors and Oxford Policy Management[1]. Amongst other features, the resulting study examines:

- Potential comparator approaches (sometimes called "business cases") used by a representative peer group of organizations to establish whether existing models could be adapted to the purpose envisioned for the Approach. This included a detailed review, comparison, and synthesis of nine (9) investment or business case approaches. These were sampled from a range of institutions, including multilateral social sector investors / lenders, bilateral donors, and vertical social funds.

- "Supply side" consultations to establish which features a range of actors seeking to invest in Education Sector Plans would find valuable to motivate their internal review of the investment opportunity and, subject to traction, the decision to mobilize more or better financing. This included detailed interviews and study engagements with bilateral donors, multilateral agencies, philanthropic organisations and experience working with Ministries of Finance.

[1] To lower transaction costs, this contract was combined with the Effective Partnerships workstream.

- "Demand side" consultations to establish the priorities of Developing Country Partners (DCPs). This included a structured survey and small-group interviews (December 2017), detailed follow-up with DCP Focal Points (June 2018). It also includes a validation exercise with DCP Focal Points (October 2018).

- Management review and strategic direction-setting from GPE's Finance and Risk Committee (FRC), including a Sub-Committee of the FRC which anchored the work between (and in addition to) regularly-scheduled FRC meetings.

- Consultations with the Secretariat, including with members of the Country Support Team, the External Relations Team, and Management?

3.4 In addition, the study reflected efforts to mobilize more and better support for ESPs already undertaken through existing processes of the GPE model. First, through the Education Sector Program Development Grant (ESPDG), the Education Sector Plan Implementation Grant (ESPIG), and through the roles and responsibilities / terms of reference of key elements of the Partnership model (including Grant Agents, Coordinating Agencies, Local Education Groups, and the Secretariat). Second, the Study reflects outcomes of the Effective Partnerships study, including findings regarding transaction costs arising from implementing GPE's model at country-level.

4. REASONS FOR RECOMMENDATION

4.1 This section summarizes the Study's key findings and the Approach's proposed operational details. The Study establishes five elements:

4.1.1 Key aspects of the effort to mobilize more and better-aligned and -harmonized finance are already included in existing processes and terms of reference. For example, the ESP development process already includes resource estimates to identify gaps between potential Plan activities and available support. Generally, ESPs contain the key elements to make the case for investment. However, this information and analysis is not automatically presented in a way that "makes the case for investment."

4.1.2 Country-level actors– including national Governments, Coordinating Agencies, Grant Agents and Local Education Groups– provide support and fora for potential financiers to co-develop the ESP and include their investment or resources in the total funding envelope.

4.1.3 ESP development processes are resource-intensive. They already involve significant investments by all actors in planning, review, quality assurance, and convening. Accordingly, the proposed approach must be tightly integrated with the GPE model to combat transaction costs from duplication or fragmentation of existing support.

4.1.4 There is low demand from potential financing partners for further large-scale analytical reports. Instead, focused analysis matching their programming priorities with existing or potential resource gaps in ESPs will be better received. Such compact, high-impact "pitches" building on existing evidence and analysis but tailored to distinct funding priorities are more likely to mobilize resources. (Supply-side actors confirmed that such

analysis would motivate follow-up and review, but noted that financing decisions ultimately reflect internal processes, timelines, and decision-making).

4.1.5 Input from the FRC acknowledged Secretariat resource limitations, the limited scope to raise Secretariat headcount to deliver enhancements to the operational model, uncertainty arising from on-going discussions related to Institutional Arrangements, and the need to establish whether the Approach has traction prior to scaling it up.

4.2 Reflecting these inputs and constraints, the Study's proposes to operationalize the Approach by delivering **additional support to the existing ESP development process, focused on the financing aspects**. The focus of this support will be:

4.2.1 **Scoping** for the potential to mobilize more and better financing for education: the first step in the Approach will be to map unfunded gaps in Education Sector Plans arising from the ESP development process against sources of potential additional support, or better-aligned and/ or –harmonized support from the range of financing partners.

4.2.2 **Developing compact, high-impact, and targeted pitches**: building on this mapping of potential funding sources and instruments and gaps identified through the planning process, the Approach prioritizes specific funding sources or instrument. It targets these sources to fill gaps in the ESP using compact, high-impact "pitches." These pitches set out **why and how** the funder can increase its support to specific (and country-specific) education needs. Critically, these documents make use of analysis done through the existing ESP development process rather than replicate it.

4.2.3 Based on evidence from DCPs and others, the Study indicates that the Ministry of Finance must be a key "supply side" focus of the Approach. Other actors (such as Regional and Multilateral Development Banks, Development Finance Institutions or bilateral donors) should be considered by the Approach, particularly in countries where they might be already be a source of significant funding (to improve its alignment) or to increase the volume of funding.

4.2.4 **Support for convening:** reflecting country-level demand, the additional support would include assistance to the DCP and LEG to convene potential financing partners with a focus on filling unfinanced gaps in the ESP and providing support through better-harmonized and / or –aligned instruments. Regarding potential formats for the convening, DCPs indicated that "a joint appeal with the Ministry of Education and the Ministry of Finance" the highest possible score. Roundtable discussion(s) also scored highly as well as presentations to the Parliamentary Committee as a way of lobbying to support more domestic funds to education. This is consistent with including domestic public financing as a focus of the approach.

4.3 The study indicates that an incubation and testing period is critical to determine whether the approach is effective. A detailed learning and monitoring mechanism is proposed to measure the performance of the approach and inform any future decision to scale it up. A consequence of a focused incubation period is that the approach would be implemented in **four to six (4 – 6) countries during the next 18 – 24 months.**

4.4 As detailed in the Study, the selection of countries to receive support during the 24 incubator period should account for: **explicit demand** for the Approach made by the DCP (for

example, a request built into the application process for the ESPDG), the **timing** of the ESP development process to ensure that additional funding matches the program development cycle, **variation** in geography and language (to account for the geographies in which potential funding partners are more likely to contribute and ensure diversity in the sample of countries), and **efficiency** of disbursement (to focus efforts to raise additional funding in contexts that the key constraint is financial support rather than efficient disbursement of existing funding).

4.5 Given the capacity constraints voiced across the Partnership from implementing the GPE model, the study proposes that the additional support be housed in the Secretariat during the initial incubation period. Amongst other features, this will help to ensure that it is delivered in close engagement with the External Relations Team (EXR) and the Country Support Team (CST) to drive alignment with GPE's processes, particularly the ESP development cycle. With regard to domestic financing, it is proposed that the ESPDG can finance capacity reinforcement for the Ministry of Education or other stakeholders to better translate ESP funding gaps in funding requests to the Ministry of Finance or other relevant actors.

4.6 The Study points out that DCPs report facing diverse financing challenges: further support from the Approach to mobilize more and better financing will not be appropriate in all contexts. This does not mean that countries facing challenges of disbursement (potentially due to poor alignment and/or harmonization) should not get support, but that the support provided be of a different nature, focused on addressing implementation constraints.

5. MONITORING AND LEARNING

5.1 The incubation and learning period would provide evidence for the Board to make an informed decision during 2020 to continue, interrupt, or scale-up the approach. To inform the Board's decision (and as requested by the FRC), the Study includes a detailed proposed monitoring & learning framework.

5.2 The framework proposes 12 indicators to assess the ESIC approach based on its relevance, effectiveness, efficiency, and impact:

> 5.2.1 **Relevance**: is the ESIC approach suited to the priorities of DCPs as the target beneficiary? Tracked based on, for example, *Number of DCPs requesting the ESIC approach/support*
>
> 5.2.1 **Effectiveness**: Did the ESIC approach achieve the activities and outputs it intended? Tracked based on, for example, *Number of 'pitches' or other briefing/ advocacy products produced*
>
> 5.2.2 **Efficiency**: What levels of outputs were achieved? Tracked based on, for example, *Average working days used by the Secretariat and country-level actors per country for ESIC Approach*
>
> 5.2.3 **Impact**: What does success look like? It may be challenging to observe more or better funding within 18 months, but intermediate indicators of progress can be collected. Tracked based on, for example, *Number of funders expressing interest in supporting DCP priorities, following conversation or approach*.

5.3 The attached Study lists the 12 potential indicators in full. All or a subset of these indicators can be reported to the FRC and Board during their regularly scheduled meetings by the

Secretariat. This reporting would use existing, in-house monitoring and learning capacity and is included in the resource implication estimates.

6. RISK AND RESOURCE IMPLICATIONS

6.1 The Study concludes that the Approach would require supplementing existing processes with appropriate resources. It estimates that these roles—including country-level engagement—would require an average of 50 person-days per country.

6.2 Given this is an 18–24 month testing and evaluation phase, the Secretariat is not requesting an extra staff position, but instead will seek to support the work by contracting one or two individual consultant(s) to work with approximately 5 countries. The costs for the remainder of FY19 (through June 30, 2019) will be absorbed within the existing budget, and costs for FY20 will be reflected in the next budget request in June 2019 and are estimated to be US$125,000 – US$175,000.

6.3 The Study identifies several risks. These include potential implications on country-ownership created by introducing new financing partners and increased risk of fragmentation. To mitigate these risks, the Approach will be aligned with existing processes (as proposed) and ensure that ultimate decision-making authority rests with key elements of the Partnership, particularly DCP authorities and the Local Education Group.

7. NEXT STEPS

7.1 Subject to the Board's approval Secretariat will commence the operationalization of the approach, enabling countries to express interest in accessing the support during their ESP development cycles. This will include criteria to prioritize such support if demand exceeds supply.

7.2 At the same time, the Secretariat will put in place a monitoring and evaluation work stream based on the proposed indicators (summarized in Section 5, above) and making use of existing evaluation human resources. Updates and results from this work stream will be presented to the FRC and Board for information and / or review during regularly scheduled meetings.

8. PLEASE CONTACT: Theodore Talbot (ttalbot@globalpartnership.org) for further information.

9. ATTACHMENTS

The Education Sector Investment Case Approach: Options for Mobilising More and Better Financing at the Country Level. Clara Picanyol, Nicola Ruddle, Alina Lipcan and Georgina Rawle: Oxford Policy Management, 2018.