GLOBAL PARTNERSHIP for EDUCATION

OPERATIONAL CAPABILITIES
Ability to vary GPE’s country model in terms of delivery of finance

Are there circumstances in which GPE should be able to transfer funds directly to Governments and other non-traditional implementers (e.g. Local NGOs)?

Commonly known as “Direct Access”

- **ECW** – Ability to disburse directly to Local NGOs is a current ECW capability – relevant to any future GPE role in ECW hosting
- **Governments** – Possibly beneficial in low risk contexts and or pooled funds
- **KIX / ASA** – Broader range of entities than traditional GAs may be beneficial

Whether GPE should pursue such an approach has not been examined in any detail.
Ability to protect the value of donor pledges against adverse currency exchange movements

For every 1% movement in the US Dollar – GPE’s available funds is higher/lower by US$20 million

2014 – 2017 Pledge Value reduced by close to US$400 million as US Dollar appreciated

Currency Hedging can mitigate exchange rate volatility

World Bank proposed approach very beneficial as would allow hedging based on signed agreements - but requires all GPE donors to sign irrevocable agreements with Trustee

GPE Legal Entity – Would allow GPE to work directly with commercial banks to hedge without such agreements, and to hedge based on pledges if so desired
Ability to vary GPE’s fund-raising model in terms of receipt of funds from different types of entities and ability to invest funds in the most effective manner

GPE is **not a separate legal entity** - it can’t enter into its own agreements - World Bank as Trustee signs agreements with donors and grant agents. Agreements are standardized.

GPE may need flexibility to customize agreements / open accounts to facilitate contributions from a broader range of actors such as HNWIs or from the public.

GPE may need more customizable grant agreement to govern how funds are used, payments are made for more innovative finance instruments in the future (e.g. impact bonds)
Context

- GPE has undergone significant reform and strengthening mandated by Board
- GPE’s business model has not yet settled and continues to expand (e.g. Financing and Funding Framework – Increase in GPE financing)
- Role of Secretariat is complex with need to be a successful Global Fund but also serve the needs of a diverse and expanding Partnership
- Apart from some administrative functions – GPE Secretariat is a full service organization
- GPE Secretariat is now the largest hosted within the World Bank
- World Bank making significant efforts to control costs and particularly growth in staffing
Secretariat

• GPE Secretariat are World Bank employees - CEO reports to the GPE Board but also to a World Bank Vice-President

• GPE Secretariat complies with all World Bank human resources and administrative rules and policies.

• Practice on staffing and budget up to December 2017 has been for Secretariat to report directly to GPE Board with World Bank facilitating all GPE Board decisions

• Changes in Practice now in effect

• World Bank has not authorized additional staffing approved by GPE Board

• Future decisions on Staff and Budget must be cleared with World Bank Vice-President prior to Board submission
2012 Hosting Review – Alison Evans

2010 / 2011 - EFA-FTI rebranded to GPE - Multi-Stakeholder Governance Structure Formed - WB Multi-Donor Trust Fund changed to a FIF - Hosting Review Commissioned

2012 – Evan’s recommends “Status Quo – Plus” - If not working establish GPE as an Independent organization.

2013 / 2014 – Negotiations on MoU to implement Status Quo Plus - MoU not signed due to several concerns around World Bank v’s GPE Board authority

2014-2017 – GPE undergoes reform and strengthening with Secretariat operating with substantial autonomy to implement Board decisions.
CREATING A LEGAL ENTITY
Option 2 - Issues to be Addressed

Three Groups of Issues

Group 1 – Governance and Institutional

Group 2 – Systems and Policies

Group 3 – Transition Arrangements
Group 1 – Governance and Institutional

• **International Organization via Establishing Countries Treaty (ECT)** – Requires two countries to sign (similar to CGIAR)

• **Special Purpose Entity (SPE)**: Public-Private Institution for Development (similar to Global Fund / GAVI / Green Climate Fund)

• **Non Governmental Organization (NGO)** – for very limited capabilities not involving de-hosting Secretariat
Group 2 - Systems and Policies

Human Resources

Information Systems and Technology

Facilities, Travel, Security

Financial/Procurement/Audit
Group 3 – Transition Arrangements

What needs to be considered to make a successful transition?

- Excellent Planning, Robust Oversight, and Timely Decisions
- Professional Firm Support
- A Sufficiently Lengthy Transition period
- A strong commitment to protect existing staff interests
High Level Cost Estimate

Investment/Transition Costs (US$9-12m in total over 2-3 years)
1. Investments in Information Systems and Technology
2. New Equipment / Office Furnishings / Fit Out
3. Relocation Costs for Staff/Families
4. Professional Services Support
5. Provision for Separation Costs

Recurrent costs (US$4-5m per year)
1. Staffing and Services to replace back-office services provided by the World Bank
Potential Cost Savings

Investment Costs
• pro bono professional services provided by Partners
• Financial incentives offered by country interested in hosting HQ

Recurrent Costs
• Travel Savings if located in a hub with good connections to donors/DCPs
• Rent Savings if subsidies or facility provided by host
• HR Costs depending on location, mix of internationals to locals, remuneration scheme, cost of benefits (e.g. health insurance costs)

Indirect
• Legal Entity may create more opportunities for non-traditional and private contributions
• Foreign Exchange savings on currency hedging with commercial banks if solution can’t be found with World Bank (Both GAVI and Global Fund work with commercial Banks to hedge)
How do Staff Feel?

- 72% would prefer GPE Secretariat remain in the World Bank
- 87% indicated they would be open to join an independent GPE (assuming no relocation and comparable compensation/benefits)
- If relocation required - 29% of staff indicate not willing to relocate
- 84% indicated importance of a Board commitment to protect existing staff interests
- 74% of staff indicate some level of stress on this topic (with 29% reporting extreme or high stress levels)
- 87% believe GPE Management are being transparent on the topic
Institutional Arrangements: The Board of Directors:

Expresses its appreciation to the World Bank for the role it has and continues to play as Trustee, Grant Agent, and administrative host to the Secretariat during a period of significant growth and change for GPE.

Recognizes that GPE’s current institutional arrangements must be considered in the context of ensuring GPE has the operational capability it needs to meet the ambition of GPE2020 and beyond. Therefore, with a view to making a decision by December 2018 requests:

a) The Secretariat and the World Bank to continue to explore potential solutions that would give GPE the operational capability outlined in BOD/2018/06/12 within the current hosting relationship or through a modified relationship that does not involve full de-hosting of the GPE Secretariat and to come to conclusion on the feasibility of these capabilities by the time of the GPE Board’s November 2018 retreat.
b) The Board Chair with administrative support from the Secretariat to identify and retain the services of a suitably qualified expert and for that expert to provide an independent report and recommendation to the Board on a decision to either retain the current institutional arrangements or to establish a separate legal personality for GPE, and to transition the Secretariat’s hosting relationship with the World Bank to one that is directly accountable to the GPE Board.

c) The Secretariat to contract a suitably qualified external firm(s) to develop and submit a detailed assessment of required actions and costs for the Board’s consideration in the event that the Board takes a decision to establish a separate legal entity.
b) The Board Chair with administrative support from the Secretariat to identify and retain the services of a suitably qualified expert and for that expert to provide an independent report and recommendation to the Board on a decision to either retain the current institutional arrangements or to establish a separate legal personality for GPE, and to transition the Secretariat’s hosting relationship with the World Bank to one that is directly accountable to the GPE Board.

c) The Secretariat to contract a suitably qualified external firm(s) to develop and submit a detailed assessment of required actions and costs for the Board’s consideration in the event that the Board takes to inform any potential decision to establish a separate legal entity.
Key Strategic Issues

GPE Board has already set GPE’s ambition through several years of reform, GPE2020, FFF, and a successful replenishment

1. Do the current institutional arrangements provide sufficient flexibility and capability to achieve that ambition? (e.g. currency hedging, direct access, legal flexibility)

2. Is the dual governance role between the World Bank and GPE Board acceptable?

3. If no, do the benefits of GPE creating its own legal entity and de-hosting the Secretariat outweigh the costs and disruption involved?

4. What is needed by November/December to answer these questions?
<table>
<thead>
<tr>
<th>Partnership</th>
<th>World Bank as Trustee</th>
<th>Legal Entity</th>
<th>Secretariat</th>
<th>FX Hedging</th>
<th>World Bank as GA</th>
<th>Disburse Direct to Gov/LNGOs</th>
<th>Staff Size</th>
<th>Annual Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Fund (GFATM)</td>
<td>Yes</td>
<td>Yes</td>
<td>Independent (formerly WHO)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>700</td>
<td>$3-4 billion (approx. 40-50% health prods)</td>
</tr>
<tr>
<td>GAVI</td>
<td>No</td>
<td>Yes</td>
<td>Independent (formerly UNICEF)</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>300</td>
<td>$1.4 billion (approx. 70% health prods)</td>
</tr>
<tr>
<td>Global Environment Facility</td>
<td>Yes</td>
<td>No</td>
<td>Hosted</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>75</td>
<td>$1 billion per year</td>
</tr>
<tr>
<td>Green Climate Fund</td>
<td>Yes</td>
<td>Yes</td>
<td>Independent</td>
<td>No</td>
<td>Yes</td>
<td>Yes, but entity must be accredited</td>
<td>150</td>
<td>$150m -2017 with target of $900m in 2018</td>
</tr>
<tr>
<td>CGIAR</td>
<td>Yes</td>
<td>Yes</td>
<td>Independent (formerly World Bank)</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>35</td>
<td>$610m in FY16 $511m in FY17</td>
</tr>
<tr>
<td>GPE</td>
<td>Yes</td>
<td>No</td>
<td>Hosted</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>108</td>
<td>$500m rising to $750-$800m p/y</td>
</tr>
</tbody>
</table>
The Roles of FIFs and the WBG Need to be Understood Better

- FIFs can be powerful instruments for global advocacy, financing, and collective action partnership

- But new FIFs are sometimes promoted without a clear understanding of existing institutions/programs or the risks of fragmentation to aid effectiveness

- Most existing FIFs are hosted by the WBG (18 of 29), relying on it for legal personality (e.g. hiring staff, procurement, other contractual obligations), which can create misunderstandings

- WBG participation in FIF governance is typically weak -- often as an observer -- and roles (trustee, host, and implementing entity) separated to limit any unfair advantage; this structure can also limit input from WBG Management/Board into decisions affecting the institution as host

- FIF business models evolve and implications for changes in the relationship with the WBG are not always well understood
  - Financial innovations with potential impact on WBG balance sheet
  - Divergence from WBG policies and procedures even when WBG implements
  - Introduction of non-traditional implementers
  - Growth in staffing inconsistent with rest of WBG
Emerging Recommendations for WBG Partnership through FIFs:
Review Stock and Better Manage Flow of new FIFs

Review to be followed by WBG Board discussion; Timing TBD

1. Review existing stock of FIFs, including:
   - Bank roles
   - Staffing practices

2. Document good practice and develop guidance on key issues
   Better formulate the value proposition of FIFs to understand when to use the FIF model

3. Ensure consideration of the WBG corporate perspective over the full FIF lifecycle

4. Screen existing FIFs at regular intervals, taking into account potential material changes to individual FIFs and overall portfolio

5. Strengthen the FIF policy and procedure framework, including greater clarity around good practices and risk management
<table>
<thead>
<tr>
<th>GPE Specific Issues to be Clarified</th>
</tr>
</thead>
</table>

**Governance**
- World Bank Role in GPE Governance
- Authority of the World Bank / GPE Board
- Applicability of World Bank Directives to GPE
- Approval Processes for Board/Committee
- Framework Agreement for Hosting

**Institutional**
- 3-5 Year Review of FIFs
- Direct Access
- Commercial Capability
- World Bank as Grant Agent
- Branding
- Changes to FIF Administration
- Distinction between Existing and New FIFs

**Financial**
- Cost Recovery/Fees
- Fundraising
- Administrative Expenses
- Currency Hedging

**Human Resources**
- Obligations of GPE Staff to World Bank / GPE Board
- Size of Secretariat
- GPE Staff Career Development
<table>
<thead>
<tr>
<th>Option 1 – Remain Hosted</th>
<th>Option 2 – GPE as a Legal Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PROS</strong></td>
<td><strong>PROS</strong></td>
</tr>
<tr>
<td>- Access to Administrative support services</td>
<td>- Ability to customize legal agreements</td>
</tr>
<tr>
<td>- Attractive comps/benefits for recruitment</td>
<td>- Ability to work directly with commercial banks to facilitate currency hedging</td>
</tr>
<tr>
<td>- Ability to utilize support services and facilities of World Bank offices globally</td>
<td>- Ability to utilize a wide range of implementing modalities</td>
</tr>
<tr>
<td>- Access for staff to World Bank knowledge</td>
<td>- Ability to customize policies</td>
</tr>
<tr>
<td>- Ability to benefit from significant World Bank investment in IT</td>
<td>- Secretariat solely accountable to GPE Board</td>
</tr>
<tr>
<td>- Ability for Secretariat / World Bank education staff to maintain close working relationship</td>
<td>- Removes perception of conflict of interest with World Bank.</td>
</tr>
<tr>
<td></td>
<td>- Potential for long term savings (see cons as the opposite could also occur)</td>
</tr>
<tr>
<td>Option 1 – Remain Hosted</td>
<td>Option 2 – GPE as a Legal Entity</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td><strong>CONS</strong></td>
<td><strong>CONS</strong></td>
</tr>
<tr>
<td>• Must work within parameters of World Bank as host accepting any limitations</td>
<td>• Disruption during transition phase</td>
</tr>
<tr>
<td>• Hosting arrangements requiring World Bank agreement to facilitate certain GPE Board decisions or Vice-President approval</td>
<td>• Risk of high staff turnover during transition phase</td>
</tr>
<tr>
<td>• Perceived conflicts of interest/visibility concerns</td>
<td>• Need for investment/transition costs during transition phase</td>
</tr>
<tr>
<td>• Limited ability to customize policy to meet GPE specific needs</td>
<td>• Potentially higher recurrent costs on an ongoing basis (see Pros as potential for savings)</td>
</tr>
<tr>
<td>• Subject to hosts compensation and benefits policy including cost recovery</td>
<td>• Loss of privileges and immunities outside of the country of headquarters</td>
</tr>
<tr>
<td>• Subject to changing policies/directives of host (e.g. limitations on costs/staff growth)</td>
<td>• Loss of World Bank support network</td>
</tr>
<tr>
<td>• Competition for back office services</td>
<td>• Loss of access to internal World Bank knowledge and learning services</td>
</tr>
<tr>
<td>• Restrictions on GPE mission travel</td>
<td>• Likely to have reduced attractiveness as a potential employer</td>
</tr>
</tbody>
</table>