GPE Financing and Funding Framework

Washington DC Board Meeting

February 28 – March 1, 2017
Introduction
Session 1.2
Where we are in the Financing and Funding Framework process

- **Feb. 2016**
  - SFWG launched

- **Jun. 2016**
  - Board meeting (Oslo)

- **Nov./Dec. 2016**
  - Board meeting (Cambodia)

- **Feb. 2017**
  - Board meeting (DC)

- **Late 2017**
  - Replenishment for 2018-2020

- **Jan. 2018**
  - FFF rollout starts

**Ambition**

**Mandate**

**Architecture**

**Toolkit**

**Specific Designs**
In June 2016, the GPE Board asked the SFWG to develop a new Financing and Funding Framework (FFF)

**Request for the design of a new FFF:**

- At the June 2016 Board meeting, the Board called for the design of an **ambitious Financing and Funding Framework** that includes:
  - A broad mix of **funding mechanisms to enable a more differentiated approach** to GPE funding in order to achieve the goals and ambitions of GPE 2020,
  - While also providing **opportunities to mobilize additional financing** from a wider range of sources
The Board mandated the SFWG to finalize the FFF for approval in February 2017

The Board of Directors:

• Recognized that **GPE will need a step-change in its approach to funding and financing** to achieve GPE 2020
• Endorsed the proposed ambitious architecture of the Financing and Funding Framework (FFF)
• **To finalize the FFF for approval** in February, 2017, requested the SFWG to:
  o Develop a **proposal on eligibility for and allocation** of GPE resources for the FFF
  o Work with Dalberg to further **stress-test the FFF** and **outline the options and operational implications and roadmap for development and rollout** of the various components of the FFF
  o Consider **implications of Education Cannot Wait on the FFF** pending the finalization of the operating model design

Source: BOD/2016/12-20 Financing and Funding Framework Decisions.
The SFWG has prepared the following documents for discussion at the February 2017 Board meetings:

**OVERVIEW**
- SFWG Overview Report

**DECISIONS**
- FFF Board document
- Eligibility, allocation, and proportionality
- Contributions and safeguards policy

**TECHNICAL**
- FFF annex
- Operational feasibility annex
- Dalberg memo
- ECW / GPE Interface Memo
Framing for February 2017 Board meeting discussions

<table>
<thead>
<tr>
<th>The FFF is...</th>
<th>The FFF is not...</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A <strong>toolkit</strong> to help deliver on the ambition of GPE 2020</td>
<td>• The <strong>full detail for how new components will be operationalized</strong> (these will be developed during 2017)</td>
</tr>
<tr>
<td>• The <strong>overarching architecture</strong> for GPE’s approach to financing and funding, starting in 2018</td>
<td>• The <strong>full detail for mechanism designs, policies or guidelines</strong> (these will be taken forward in 2017)</td>
</tr>
<tr>
<td>• A holistic framework that consists of a set of <strong>flexible options</strong> for countries to consider based on their needs and interests</td>
<td>• A “<strong>one-size fits all</strong>” approach for all GPE countries</td>
</tr>
<tr>
<td>• High-level framework that allows the <strong>design process to continue into 2017</strong></td>
<td>• Every idea the SFWG considered; some were <strong>not prioritized for inclusion</strong></td>
</tr>
</tbody>
</table>
Overview – rationale
Session 1.2
The Financing and Funding Framework seeks to incorporate the critical ingredients of education system transformation

Strong Education Systems will be essential to realizing GPE 2020

More Money ≠ More Learning if Systems are Weak

In addition to introducing more financing options, the FFF builds on the current funding model and introduces new funding options to support education system strengthening.
It is grounded in GPE 2020’s vision and three strategic goals

Efficient and effective education systems

- Improved learning outcomes
- Increased equity, gender equality & inclusion

COUNTRY-LEVEL
- Education sector planning and policy implementation
- Inclusive policy dialogue and monitoring
- Efficient and effective delivery of GPE support

GLOBAL-LEVEL
- More and better financing
- Stronger partnership
The FFF provides GPE with the tools to deliver increased impact across these goals

Builds on GPE’s strengths and optimizes its ability to deliver on GPE 2020 and beyond

Provides the right set of tools and levers to drive education system development & strengthening
The FFF introduces four new or enhanced offerings that will enable GPE to better serve and strengthen its partnership

**The FFF enables funding mechanisms that strengthen GPE’s model**

- Seeks to maximize the potential of the current funding model by proposing new enhancements
- Puts forward a set of new funding mechanisms that reinforce the operational model:
  - Knowledge and innovation exchange
  - Advocacy and social accountability

**The FFF aims to crowd in new and better structured financing for education**

- Education Sector Investment Case approach will enable coordinated financing from a wider range of sources
- GPE will incentive DCPs to leverage external financing and work with partners to remove constraints to such leveraging

These funding mechanisms support varying priorities at the country and global levels while mobilizing more and better-structured financing through diverse sources
Domestic financing
Public | Private

Funding unlocked by GPE
MDB & development partners | Private investment

Disaster and political risk

Knowledge and innovation exchange
Advocacy and social accountability

Results
Funding based on achievement of sector-wide results

Implementation
Needs-based allocation

Preparation
Planning and support for requirements

Education system development and strengthening

GPE grant financing
Core | Targeted

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

Learning | Equity
Efficient and effective systems
Enhancements to the core funding model will better enable successful delivery of GPE2020.

**Realizing GPE 2020 will require...**

- Stronger and predictable levels of domestic and international financing
- Enhanced delivery capacity at country level
- Better data to drive decision making
- Effective results based financing model
- Enhanced approach for supporting countries in emergencies as well as small, island and land locked states

**The enhancements to the core funding model will deliver....**

- Stronger DRM requirements
- Improving alignment & harmonization
- Enhanced ways of supporting capacity
- Improved support for data
- Enhancements to the variable funding component
- Interface with ECW
- New guidelines for regional funding approaches

Enhanced approach for supporting countries in emergencies as well as small, island and land locked states
Advocacy and Social Accountability

Objectives

- Strengthen **mutual accountability** through civil society participation in inclusive dialogue and social accountability
- Support **global and cross-national advocacy** for education financing

Description of mechanism

- **Build on the CSEF** program beyond 2018 by supporting national coalitions and specific **transparency, accountability and social mobilization initiatives** to help governments and public sector institutions address policy, strategy, and operational challenges
- Leverage senior political decision-makers **to support domestic and international resource mobilization**
Knowledge and Innovation Exchange

**Objectives**

- Accelerate progress towards GPE 2020 goals by building and harnessing GPE members’ knowledge and innovation capacity
- **Provide support for knowledge, innovation, and their exchange to support adoption of cutting edge solutions to key policy challenges identified as central to the delivery of GPE 2020**

**Description of mechanism**

- Aimed at creating an integrated pipeline to translate evidence-based ideas into implementation at scale
- Designed to play five functions: **policy analysis, clearinghouse, R&D, dissemination, and global and regional public goods development**
- **Will use a variety of modalities** (e.g. competitive calls for global public goods, challenge funds, research partnership, etc)
**Education Sector Investment Fund: The FFF will enable greater coordination and scale of ESP-aligned investments**

<table>
<thead>
<tr>
<th>Key Goals and Design Criteria</th>
<th>Design Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>Sector plans at the core</strong>: strengthen GPE’s role in supporting high-quality education sector plans</td>
<td></td>
</tr>
<tr>
<td>• <strong>Country-driven priorities</strong>: help align new sources of financing around country priorities</td>
<td></td>
</tr>
<tr>
<td>• <strong>Flexible approach to financing</strong>: GPE grants strengthen education systems and ensure country-ownership in deploying funds</td>
<td></td>
</tr>
<tr>
<td>• <strong>More financing for education</strong>: better mobilize coordinated financing from public and private sources through a dedicated convening function</td>
<td></td>
</tr>
</tbody>
</table>

- **Investment Case document:**
  - Make the case for education sector investments and help coordinate different sources of finance: articulate *why* and *how* to support country’s ESP with additional financing

- **Convene financing partners:**
  - Where requested by country partners, support Ministries of Education in dialogue with donors and Ministries of Finance
  - Flexible engagement strategy depending on country requests: support could be convening investment case launch or round-table event, identifying private investment opportunities, engaging donors with investment case
## Leverage Fund: The FFF provides an opportunity to build a track record of unlocking financing through a Leverage Fund

### Key Goals and Design Criteria

- **Catalyze financing from non-traditional sources**, including MDBs and private sector investment while reducing cost of such financing to DCPs
- **Protect GPE core grant funding**: assume at least the same level to ESPIG-eligible countries today
- **Design with scale in mind**, enabling a sufficient volume of leverage funding to show results
- **Build coherence with sector-wide ecosystem**: enable interface with MDB Investment Mechanism and contribute to its launch
- **Further build GPE track record** with co-financing and “blend” financing to be deployed in a broader set of countries over time

### Design Features

**Preconditions:**
- Meet GPE’s funding model requirements: credible ESP, domestic resource mobilization commitments, and data
- Include results-based component: 30% of GPE resources linked to achievement of sector-wide results in learning, equity, and efficient and effective systems

**Requirements:**
- Leverage demonstrably additional funding: for every $1 of GPE funds, raise at least $3 of additional external financing
- GPE grant could be combined with:
  - Grant funding from external sources
  - Highly concessional loan funding (e.g., IDA)
  - Non-concessional lending
Case Study: Country X (1/3)

CONTEXT:
Country X has a large population, low primary and lower secondary education completion rates and significant geographical challenges with many remote, smaller schools and a high number of poorly trained or untrained teachers. The following integration of existing, enhanced and new GPE features will work together to improve the effectiveness and efficiencies of the education sector while mobilizing additional resources.

1. ESPDG FUNDING FOR ESP
Country X receives ESPDG funding to develop the Education Sector Plan through a sector diagnostic.

2. KIX: DIAGNOSTIC TOOLS AND RESOURCES
The country does its country diagnostic using the GPE/UNESCO/UNICEF/WB guidelines. Additional analyses on ECD are done using a new tool and resources developed and/or disseminated through KIX.

3. KIX: INTERNATIONAL EVIDENCE
International evidence developed or collected through KIX channeled into the sector diagnostic.

4. ENHANCED QUALITY ASSURANCE
Strong peer review process of the diagnostic report by external peer reviewers, strengthened quality assurance builds confidence around ESP investments.

Notes: 1. The sector analysis and planning process is an iterative process and may not be sequenced the way it is presented in all cases.

KEY
- Existing feature
- Enhanced feature
- New feature
5. **KIX: TRAINING DEVELOPMENT**
   The sector analysis identified teacher training as a key dimension to improve learning. The LEG uses the KIX to access global knowledge and organize a country visit to develop teacher training programs.

6. **SUPPORT TO DOMESTIC FINANCING DIALOGUE**
   New guidelines (which may be shared through KIX) strengthen LEG engagement in dialogue with the MoF; the ASA mechanism mobilizes a campaign for increased domestic financing and GPE brings in a global champion to engage with the President and the government.

7. **ESP FINANCIAL FRAMEWORK**
   The ESPDG supports the development of a robust financial simulation model to strengthen the framework through dialogue with the MoF.

8. **IMPLEMENTATION PLAN**
   Country X develops the implementation plan incorporating key strategies developed and aligned to the financial framework.

9. **CO-FINANCING SUPPORT**
   The Secretariat, MoF and donors explore co-financing mechanisms and decide to create a pooled fund.

10. **EDUCATION SECTOR INVESTMENT CASE**
    The Investment case presents the education sector plan and provides the basis to attract additional financing.

**KEY**
- Existing feature
- Enhanced feature
- New feature

Notes: 1. The sequencing of the ESP development process involves overlap across steps.
Potential ESIC Outcomes (3/3)

• **Domestic financing structures:** The pooled fund is established based on agreement between government, donors and private sector

• **Domestic resource mobilization:** Government commits 22% of budget; partners conduct roundtable to solicit additional pledges; ASA mechanism mobilizes a campaign to reach new and existing donors

• **Additional financing:** IDA co-finances the USD 100m ESPIG with another USD 100m, existing donors increase their funding by USD 100m. Private sector contributes USD50m and new contributors commit USD 50m to pooled fund
The FFF will enable GPE to:

- Deliver on the GPE 2020 strategy
- Respond to the SFWG’s mandate
- Position itself as a leader in education transformation
Overview – what this means
Session 1.2
The FFF will enhance how many stakeholders, including DCPs, LEGs, and existing and potential contributors, engage with GPE

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>New or enhanced aspects of the FFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>DCPs / LEGs</td>
<td>• Additional support in meeting GPE core funding model requirements</td>
</tr>
<tr>
<td></td>
<td>• Broader range of funding options and financing tools</td>
</tr>
<tr>
<td></td>
<td>• Additional support in aligning financing around education sector plans</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Existing and potential contributors</td>
<td>• New ways to contribute funds to the education sector</td>
</tr>
<tr>
<td></td>
<td>• Prospect of contributions leveraging additional funding through GPE core funding model</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall Partnership</td>
<td>• New ways to engage in advocacy</td>
</tr>
<tr>
<td></td>
<td>• Reinvestment in core funding model</td>
</tr>
<tr>
<td></td>
<td>• Additional opportunities to use existing capabilities and previous learnings in support of GPE activities (particularly with financing)</td>
</tr>
</tbody>
</table>
The FFF will have capacity implications across the partnership

**The FFF will require some DCPs to build additional capacity and expertise**
- Capacity required to comply with ESPIG enhancements and review proposals for new reinforcement mechanisms
- Financing expertise to pursue non-grant financing (although GPE will support)

**LEGs will likely be involved in more consultation and coordination**
- Increased capacity to engage in dialogue on financing, as part of the ESP process
- Crowding-in activities will require improved LEG and DCP coordination and planning

**GAs will need to coordinate more with multiple parties and increase DCP capacity-building**
- Core funding model enhancements and new reinforcement mechanisms will drive increased need for DCP capacity-building
- Co-financing arrangements will require more upfront planning and coordination with the Secretariat

**The Secretariat will aim to present a comprehensive Human Resources Plan to the Board**
- Operating costs will be kept to 5-7% of total disbursements for the total replenishment period
An ambitious FFF will allow GPE to deliver on its 2020 objective of more and better finance for education

- The new FFF has transformative potential for GPE; its architecture will allow GPE to continue to evolve its finance and funding offerings in a dynamic and flexible way
  - The FFF includes clear logic for how funding and financing should operate, decision criteria for adding new funding mechanisms or financing approaches, and considerations for realizing synergies across the entire framework

- The new funding mechanisms for Advocacy and Social Accountability, as well as for Knowledge and Innovation Exchange, represent some of the most compelling opportunities for GPE to accelerate progress towards GPE2020

- The Education Sector Investment Case approach is an important evolution for GPE to deliver on its objective of more and better finance for education, while still rooted in GPE’s core competency of facilitating high quality education sector plans
Eligibility and Allocation
Session 1.3
Eligibility and Allocation

**Eligibility** – Criteria that must be satisfied in order to join GPE and/or access GPE funding

**Allocation** – basis by which the amount of funds that each eligible country can access is determined
Eligibility considerations (I/II)

• GPE Charter states that all DCPs can join GPE

• Eligibility to be a member does not automatically equal eligibility to access funds

GPE 2020:

*Financing will continue to focus primarily on low-income 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*
Eligibility considerations (II/II)

SFWG sought to balance two competing priorities linked to depth and breadth:

1. Ensuring GPE is truly a “Global” partnership and can meet differentiated needs in LICs and LMICs

2. Avoiding spreading resources too thin and limiting impact, or overpromising and risking under delivering

Differentiated approach as requested by Board in design off FFF, along with differentiation in eligibility helps to manage these priorities
# SFWG proposal on eligibility

<table>
<thead>
<tr>
<th><strong>DCP category</strong></th>
<th><strong>Education Sector Plan Development Grants</strong></th>
<th><strong>Knowledge and Innovation Exchange and Advocacy &amp; Social Accountability</strong></th>
<th><strong>Education Sector Program Implementation Grants</strong></th>
<th><strong>Leverage fund</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Low income countries 30 countries</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✗</td>
</tr>
<tr>
<td>Small island and landlocked developing states 18 countries</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✗</td>
</tr>
<tr>
<td>Vulnerable LMICs (less than $2000 GNI p/c and below 90% LSCR or FCACs with less than $3000 GNI p/c and below 90% LSCR 19 countries)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✗</td>
</tr>
<tr>
<td>Other LMICS 22 countries</td>
<td>✔</td>
<td>✔</td>
<td>✗</td>
<td>✗</td>
</tr>
</tbody>
</table>
### Vulnerable LMICs

<table>
<thead>
<tr>
<th>LSCR &lt; 90%</th>
<th>GNI pc&lt; $2,000</th>
<th>GNI pc&lt;$3,000 (FCAS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td></td>
<td>Papua New Guinea</td>
</tr>
<tr>
<td>Kenya</td>
<td></td>
<td>Nigeria</td>
</tr>
<tr>
<td>Ghana</td>
<td></td>
<td>Syrian Arab Republic</td>
</tr>
<tr>
<td>Nicaragua</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cambodia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Djibouti</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cameroon</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lesotho</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yemen, Rep.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Côte d'Ivoire</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Myanmar</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mauritania</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zambia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lao PDR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sudan</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Inclusion of Vulnerable LMICS seeks to strike the appropriate balance on eligibility.
- It regroups LMICs with a GNI per capita below $2,000 and a lower secondary completion rate below 90%.
- or LMICs that are FCACs with less than $3,000 GNI per capita.
- criteria aligned with the GPE 2020 focus on basic education.
Comparing ESPIG eligibility with current period

<table>
<thead>
<tr>
<th>Eligibility Criteria</th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>LICs</td>
<td>LICs</td>
<td>LICs</td>
</tr>
<tr>
<td>SILDS</td>
<td>SILDS</td>
<td>SILDS</td>
</tr>
<tr>
<td>LMICs with GNI p/c below US$2,560 and PCR below 85%</td>
<td>LMICs with GNI p/c below US$2,000 and LSCR below 90%, or FCAS LMICs with GNI p/c below $3,000 and LSCR below 90%</td>
<td></td>
</tr>
</tbody>
</table>

| No. of Countries | 67 | 67 |

- **Ghana, Zambia, and Syria** become ESPIG Eligible
- **Congo Republic, Kyrgyz Republic, and Tajikistan** move from ESPIG eligible to eligible for Leverage Fund
- **All other countries** remain the same
Leverage Fund Eligibility

• GPE2020 identifies that GPE funding should go to both LICs and LMICs
• Many LMIC countries have significant needs, particularly around learning outcomes
• Currently a hard cut off in access to funding for some previously ESPIG eligible countries

• Proposal for a Leverage Fund for up to 22 LMIC countries not eligible for an MCA for an ESPIG. Countries must:
  – meet GPE’s funding model requirements around domestic financing, data, and credible education sector plans
  – Demonstrate additionality and co-financing from external sources of at least US$3 for every US$1 of GPE grant funds
  – Ensure at least 30% of GPE funds are subject to GPE’s results based funding approach

• Expect that US$100m in funding sufficient for 5-6 countries out of 22 and allows GPE work with a few interested countries to test this approach over the 2018-2020 period.
• SFWG recommend expanding eligibility to access the Leverage Fund or to create a separate Leverage Fund for ESPIG eligible countries as a top up mechanism should sufficient resources become available.
Allocation Formula for ESPIGs

• **Current Formula** – Needs Based

\[(1-\text{PCR})^{0.15} \times \text{PSAC}^{0.7} \times \text{LSSAC}^{0.3} \times \text{PCI}^{-0.125} \times \text{RP}^{0.2} \times \text{EXT}^{-0.1} \times \text{GPIC}^{-0.35} \times \text{FRAG}^{0.15}\]

• **Board Instructions to SFWG:**
  – Reduce the number of variables
  – Simplify the structure
BASIC FORMULA

Prim. age pop. x (1-PCR) + sec. age pop. x (1 – LSCR) / GDP per capita PPP

Proxy for priority target population
measures overall country wealth

ADJUSTMENT FACTORS

(1.) Fragile and Conflict Affected Countries - 15%

- Continues to be a needs based formula
- Primary and Lower Secondary School Aged Population is a scaling factor – more children = higher allocations
- Primary Completion Rate (PCR and Lower Secondary Completion Rate (LSCR) is used as a prioritizing factor – low completion rates = higher allocations
- GDP per capita PPP – poverty indicator – poorer countries = higher allocations
- Fragile and Conflict Affected Countries – adjustment factor helps drive more resources to FCAS.
Allocation Formula – Key Considerations

• Trade off between *simplicity* and an *expansive formula* that allows for a multi-dimensional consideration of country challenges and efficacy in mobilizing resources to improve education

• Disparities such as gender and rural populations are covered by use of separate variables and *Completion Rates* have not been included as separate variables.

• GDP per capita PPP as opposed to GNI per capita considered to be *most appropriate* to convey a measurement of the population’s *poverty* it was most closely linked to proportion of population under poverty threshold

• The FCAC adjustment consists in increasing by 15% the basic score for FCACs. SFWG considered several levels of adjustment and concluded that *15% increase in the needs index translates in a 5 % increase in the allocations*, which broadly corresponds to the level of additional administrative costs observed in FCAC grants.

• Natural weighting in the formula towards countries with *higher needs at primary*
Floors and caps

• SFWG proposes to maintain the US$100m cap noting that it may be increased if more resources are available consistent with the approach agreed in 2014

• Minimum Allocation Size Proposed of US$1.3m for SILDS and US$5m for others
Other allocations

Education Sector Plan Development Grants ($500k)/Program Development Grants ($200k-$400k)

No change to the existing allocations

Knowledge and Innovation Exchange

Minimum Level of US$60m with allocation TBD during design phase – minimum of US$5m envisaged to launch with ideally US$10m plus per thematic area

Advocacy and Social Accountability

US$60m for the mechanism but specific allocations TBD during design phase

Leverage Fund

US$100m with individual country allocation ceilings to be determined during design phase
Next Steps

• Assuming Board endorsement of the FFF, key pieces of work on eligibility and allocation over the coming months will include the following:

  – Developing an allocation methodology for the Leverage Fund including consideration of how to expand it to ESPIG eligible countries

  – Finalizing operational details and allocations of the Knowledge and Innovation Exchange, and Advocacy and Social Accountability mechanisms

  – Developing the prioritization criteria for lower or higher than minimum resource scenarios.
Proportionality

• Scenarios are there to show an estimate of minimum resources required to operationalize the FFF

• Additional Scenarios are illustrative to show how the FFF is scalable should GPE raise larger amounts of resources

• These Scenarios are not to be confused with a replenishment target
## Proportionality scenarios

<table>
<thead>
<tr>
<th>Resource category</th>
<th>Scenario 1: Minimum resource estimate for FFF SFWG considered</th>
<th>Scenario 2: Accelerated ramp to 2020 Secretariat provided</th>
<th>Scenario 3: Reaching two billion by 2020 Secretariat provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Pledged Assets</td>
<td>750</td>
<td>750</td>
<td>750</td>
</tr>
<tr>
<td>Remaining Commitments on ESPIGs</td>
<td>(917)</td>
<td>(917)</td>
<td>(917)</td>
</tr>
<tr>
<td>New ESPIGs in 2018 based on existing MCAs</td>
<td>(167)</td>
<td>(167)</td>
<td>(167)</td>
</tr>
<tr>
<td>New Commitments for ESPIGs on new MCAs</td>
<td>(900)</td>
<td>(1,372)</td>
<td>(2,539)</td>
</tr>
<tr>
<td>Leverage Fund</td>
<td>(100)</td>
<td>(300)</td>
<td>(500)</td>
</tr>
<tr>
<td>Sub-total ESPIGs</td>
<td>(2,084) - 87.6%</td>
<td>(2,756) – 85.6%</td>
<td>(4,123) – 86.5%</td>
</tr>
<tr>
<td>Knowledge and Innovation</td>
<td>(60) – 2.5%</td>
<td>(161) - 5%</td>
<td>(239) – 5%</td>
</tr>
<tr>
<td>Social Accountability and Advocacy</td>
<td>(60) – 2.5%</td>
<td>(80) - 2.5%</td>
<td>(100) – 2%</td>
</tr>
<tr>
<td>Small Grants (ESPDG/PDG)</td>
<td>(36) - 1.5%</td>
<td>(36) – 1.1%</td>
<td>(36) – 0.8%</td>
</tr>
<tr>
<td>Secretariat/Trustee/Agency/Supervision</td>
<td>(140) - 5.9%</td>
<td>(187) - 5.8%</td>
<td>(272) – 5.7%</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>(2,380)</td>
<td>(3,220)</td>
<td>(4,770)</td>
</tr>
<tr>
<td>NEW RESOURCES REQUIRED</td>
<td>1,630</td>
<td>2,470</td>
<td>4,020</td>
</tr>
</tbody>
</table>
Prioritization

• How should GPE allocate resources in the event of resources below the minimum or above the minimum?

• Finance and Risk Committee recommended to develop a proposal for Board approval

• Board input to the FRC would be useful
Recommended decisions (I/IV)

1. Recognizing the GPE 2020 commitment that financing will continue to focus primarily on low-income and lower middle-income countries, especially those countries with high numbers of out-of-school children, significant gender disparities, and those affected by crisis and fragility, approves eligibility for GPE Funding for the 2018-2020 period as set out in Table 1 of BOD/2017/03 DOC 04.

2. Approves the following needs based allocation formula

\[
\text{NeedsIndex} = \frac{\text{PrimAgePop} \times (1 - \text{PCR}) + \text{LSecAgePop} \times (1 - \text{LSCR})}{\sqrt{\text{GDPperCapita}(PPP)}} + 15\% \text{ FCAC Adjustment}
\]

as further described in Annex 1 of BOD/2017/03 DOC 04 for calculating the share of available resources that countries eligible to receive an Education Sector Program Implementation Grant Maximum Country Allocation may apply for, subject to the following adjustments:
a. The existing cap of US$100 million shall apply to Maximum Country Allocations for ESPIGs unless the Board determines on the recommendation of the Finance and Risk Committee that the level of resources available for allocation is sufficiently high that the cap may be raised in a manner that doesn’t reduce existing allocations below the levels set out in Scenario 1 of Annex 1 of BOD/2017/03 DOC 04 for remaining eligible countries.

b. Small Island and Landlocked Developing States that have a Maximum Country Allocation calculated by the allocation methodology of less than US$1.3 million shall have their MCA increased to this amount.

c. All other eligible countries that have a Maximum Country Allocation calculated by the allocation methodology of less than US$5 million shall have their MCA increased to this amount.
3. Given the integrality of the Financing and Funding Framework, the Board determines that a minimum level of resources shall be made available to operationalize the Leverage Fund, and the Reinforcing Funding Mechanisms as set out below:

- Leverage Fund – US$100 million
- Knowledge and Innovation Exchange – US$60 million
- Advocacy and Social Accountability – US$60 million

The Board notes that these amounts are minimum levels and may be increased if resources are available, and based on approved prioritization criteria to be developed. It is further noted that the source of financing from the GPE Fund may be from both unrestricted and targeted financing subject to the provisions of the Contributions and Safeguards Policies.
4. The Board of Directors requests the Secretariat to develop options for consideration by the Finance and Risk Committee and subsequent recommendation to the Board on prioritization criteria in the event that resources are either insufficient to finance the FFF at the minimum resource levels envisaged in Scenario 1, Annex 1 of BOD/2017/03 DOC 04 or resources are higher than the minimum resource levels.
Contributions and Safeguards Policy
Session 1.5
What is the CSP designed to do?

• **Maximize** opportunities for financing GPE2020 whilst **mitigating** risks of:
  – Mission/Partnership Distortion
  – Financing Substitution
  – Administrative Burden
Developing the CSP

CSP Framing Note and Online Survey developed by CSP sub-group

Presentation of Survey Results – Cambodia Board Meeting

CSP sub-group developed options for CSP through Consultation Webinars

Review of options by SFWG in Paris, with Trustee endorsed recommendation to the Board
How does the CSP achieve this?

1. Through clear articulation of what FFF mechanisms can be opened up to targeted financing

2. Through managing the risks of targeted financing through 9 agreed safeguards

3. Through a comprehensive review process for all targeted financing offers, under the FRC
Principles determining allowable contributions

Targeted financing is appropriate for **Reinforcing mechanisms and their themes**

Targeted financing to GPE’s system strengthening mechanisms should **not impact the size of country allocations** or decision by the Board to approve an allocation.

Targeting financing to be accepted on a **notional allocation basis only**, within the existing GPE Fund.
SFWG considered 3 contribution options:

**Option 1**
Targeting to Reinforcing Mechanisms only

**Option 2**
Targeting to Reinforcing Mechanisms and to GPE’s core allocations on a reporting basis differentiated by type of contributor

**Option 3**
Targeting to Reinforcing Mechanisms and to GPE’s core allocations on a reporting basis for all contributors
Proposed contributions allowed – Option 3 recommended by the SFWG

Permitted contributions to the GPE Fund

- **Unrestricted Contributions to the GPE Fund**

- **Contributions to the GPE Fund that are notionally allocated** for reporting purposes to existing or planned Board approved allocations and **don’t affect** allocation decisions

- **Contributions to the GPE Fund that are targeted for Reinforcing Mechanisms** (including their thematic areas) that **may affect** allocation decisions

The 9 Safeguards aim to protect against risk of mission / partnership distortion, financing substitution, and administrative burden
How do the Safeguards mitigate risks?

<table>
<thead>
<tr>
<th>Risk</th>
<th>Mitigation</th>
</tr>
</thead>
</table>
| Mission / Partnership Distortion | • Ensure alignment with GPE2020, FFF and full CSP  
• Prevent distortion of GPE allocation and eligibility model  
• Require part financing of all funding mechanisms by unrestricted resources |
| Financing Substitution      | • Restrict sovereign donor contributions to Reinforcing Mechanisms                                                                        |
| Administrative Burden       | • Require targeted financing to be provided on a notional allocation basis to GPE Fund  
• Require all contributors to sign Trustee’s Standard Contribution Agreement with no additional financial reporting  
• Minimum thresholds for each Reinforcing Mechanism set by the GPE Board |
Funding – Reinforcing mechanisms
Session 1.6
Objectives of this discussion

• Recap the high level design elements of the reinforcing funding mechanisms and how they link to GPE 2020

• Summarize key takeaways from stress testing and DCP feedback

• Clarify the parameters of what is being recommended for each funding mechanism as a next step

• Answer any questions
Recall: Key design principles used to identify new funding mechanisms

Reinforcing funding mechanisms must...

1. Be critical to achieving education sector development and strengthening

2. Address needs that, while potentially included in sector plans, are not adequately supported by implementation funding:
   - Cross-national or global needs (e.g., knowledge exchange, advocacy)
   - Needs that have historically not been prioritized in grants given other nearer-term priorities (e.g., knowledge, innovation)

3. Represent different approaches or strategies to achieve GPE’s learning and equity goals (and thematic objectives), while contributing to the overall strengthening of the education sector
Recall: Board Endorsed Funding in Support of 3 areas

Advocacy and Social Accountability

- Fund national coalitions and specialist organizations to undertake advocacy and social accountability activities

Innovation

- New funding instruments focused on scaling innovations

Knowledge and Good Practice Exchange (KGPE)

- Fund the exchange of knowledge and good practices and global and regional public goods, building on KGPE strategy
Advocacy and Social Accountability funding strengthens commitments

**Funding needs**
- Build political will at the country level
- Champion international support for education finance
- Advance mutual accountability

**Objectives**
- Strengthen mutual accountability through civil society participation in inclusive dialogue and social accountability
- Support global and cross-national advocacy for education financing

**Description of mechanism**
- Build on the CSEF program beyond 2018 by supporting national coalitions and specific transparency, accountability and social mobilization initiatives to help governments and public sector institutions address policy, strategy, and operational challenges
- Leverage senior political decision-makers to support domestic and international resource mobilization
Key takeaways from stress testing & consultations

Overall Strong Support
- Country level advocacy seen as essential by DCP and CSOs alike
- Global level advocacy window very timely in light of Education Commission

Ensuring Coherence and Impact
- Country level funding should extend beyond national coalitions, potentially include specialized organizations
- Ensure harmonization and alignment across global & country level efforts

Manage Transaction Costs
- Structure the delivery mechanism based on lessons learned from CSEF
- Use a wholesale model for implementation
Illustrative Example: Country-Level Funding for Social Accountability and Advocacy

A Grant Agent Manages A Portfolio of Country-Level Grants

Example Grant 1

- Grant size: $200K
- Recipient: National parents association
- Use of Funds:
  - Audit gender policies at community schools
  - Support uptake of gender responsive practices
  - Mobilize community leaders to support girls’ education.

Example Grant 2

- Grant size: $150K
- Recipient: National parents association
- Use of Funds:
  - Disseminate the findings through its network
  - Organizes a week of action including radio, news, and other programming to broadcast the findings
  - Educate members of parliament.

Findings from the gender audits are shared at the joint sector review and to inform community-led efforts to advance equity goals.
Illustrative Example: Global Level Effort to Mobilize More & Better Funding for Education

A Grant Agent Manages A Portfolio of International Grants

Example Grant 1

Grant size: $750K
Recipient: A consortium of think tanks, INGOs and regional civil society networks
Use of Funds:
- Think tank provides research on the equity of domestic spending and household costs of education
- INGOs work with donor governments to ensure dialogue at the LEG level on the issues raised
- Regional network engages the regional economic communities to adopt an action agenda to promote the recommendations.

This initiative is then highlighted at the High Level Political Forum and used to mobilize support for a proactive policy on equitable spending as part of the SDG4 implementation agenda.
Recap of key Design Parameters For Board Approval

<table>
<thead>
<tr>
<th>Country Level Advocacy</th>
<th>Global Level Advocacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $15 million/year</td>
<td>Up to $5 million/year</td>
</tr>
<tr>
<td>75% of funding from GPE’s core funds, 25% allowed from targeted funding</td>
<td></td>
</tr>
<tr>
<td>• Coalition activities ($50k-200k each);</td>
<td>• Global and transnational advocacy activities ($200-500k annually)</td>
</tr>
<tr>
<td>• Organizational activities in social accountability and capacity building for civil society ($50k-200k annually);</td>
<td></td>
</tr>
<tr>
<td>All funds awarded on a competitive basis, via a Grant Agent</td>
<td></td>
</tr>
</tbody>
</table>
Knowledge and Innovation Exchange

**Funding needs**
- Innovation: developing new policies and solutions that can be deployed, at scale across GPE members to realize GPE2020
- Knowledge: the lessons learned from applying these innovations
- Exchange: leveraging GPE’s unique convening power and expertise base

**Objectives**
- Accelerate progress towards GPE2020 goals by building and harnessing GPE members’ knowledge and innovation capacity, amplified by catalytic partnerships with non-traditional partners and bolstered by vibrant exchange both within and beyond the Partnership.

**Description of mechanism**
- Create a more integrated pipeline to translate evidence-based ideas to implementation at scale.
- The mechanism would be designed to play five essential functions: Policy Analysis, R&D, Dissemination, Global & Regional public Goods
Key takeaways from stress testing & consultations

Opportunity to Build on Lesson Learned from experiences with KGPE

- Enhance the rigor of the design process
- Importance of ensuring Board-level ownership over initiatives and reducing perceptions of undue influence
- Enhance scalability and reduce transaction costs

The importance of linkages to GPE Core model

- Any mechanism(s) must be designed to tightly align with GPE2020 and align with country-level model
- Choice of delivery mechanism(s) needs to be based on robust analysis of the specific policy challenges

Manage Transaction Costs and Fragmentation

- Mechanism (s) should be designed to minimize transaction costs and fragmentation of efforts, especially at the country level
Options Considered

**Options for KGPE....**

- Pursue a Stand-alone KGPE strategy that is distinct from Innovation

**Options for Innovation...**

- Increase Innovation in ESP, but no additional funding mechanisms
- ESPIG Set-Aside for Innovation
- ESPIG Top up for Innovation
- New stand-alone funding mechanism for Innovation
Recommended Path forward: Develop an Integrated Knowledge & Innovation Exchange Mechanism with 5 key functions

Policy Analysis Function

Define a Policy Challenge That is Central to the Realization of GPE2020

Clearinghouse Function

Do we have promising answers within GPE members?

R&D Function

Yes

Commission additional studies to build evidence base about potential new approaches

Dissemination Function

Knowledge Exchange

No

Generate tools, standards and methods for advancing new methods/approaches

Direct support to test and scale new approaches

What global or regional public goods are essential to support solutions at scale for this policy challenge?

Global Public Good Funding
Linking Knowledge + Innovation: Guiding principles

**Scope**
- Common thematic agendas
- Global level
- Encourages the engagement of new actors, or new consortia

**Strategic Positioning**
- Create a more integrated pipeline to accelerate the translation of insights
  -> ideas
  -> implementation of new models at scale:
- Also linked tightly to Social Accountability and Advocacy

**Operational Approach**
- Mechanism designed as an overall program of work across multiple thematic agendas
- Wholesale model
- A menu of mechanisms, tailored to specific thematic policy challenges
What this could look like: Illustrative example 1

Policy Challenge: Strengthening Data Systems

Identifying What Could or Is Working

- Commission an initial stock taking across the Partnership of promising new models for gathering and leveraging data
- Develop guideline on best practices for EMIS

Menu of modalities for generating evidence, new tools and approaches

Testing and Refining Promising Solutions

- Issue a challenge Fund for consortia of DCP governments + ICT actors employing new forms of data collections and analytics

Menu of modalities to Scale up Promising Pilots

Sharing What Works and Promoting Adoption/Replication

- Launch a “Data Revolution for Education” knowledge sharing platform that links GPE members with broader stakeholders in ICT sector

Menu of modalities for Facilitating Exchange

Global & Regional Public Goods Grants

Provide grants to key “back bone” organizations such as UIS
Policy Challenge: Amplifying the Quality of Teaching & Learning through ICT

Market Diagnosis

Generate Evidence and Analysis
- Identify the most promising forms of Educational Technologies that are appropriate for DCP country contexts and face barriers to adoption and scale

Testing and Refining Promising Solutions

Menu of modalities to Scale up Promising Pilots
- Develop a series of ICT interventions that a) lowers the costs of teacher education or b) shapes the market for book production and distribution

Sharing What Works and Promoting Adoption/Replication

Menu of modalities for Facilitating Exchange
- Launch a platform that enables GPE members and technology leaders to interact, co-create and ultimately drive adoption at scale

Global & Regional Public Goods Grants
Provide grants to key “back bone” organizations
Key Design Parameters For Board Approval

Minimum funding level of $60 million in total over 3 years
  • Minimum of $30 million (10 million/year) from GPE Unrestricted Funds

Up to 6 thematic Initiatives with a threshold of $5M each

Funding would flow through Grant Agent(s)
  • Funding awarded on a competitive basis
  • Implemented in a wholesale model with an aim to keep transaction costs low
Financing – Detailed Slides
Session 2.1
GPE mobilizes grant financing from public and private donors & through innovative instruments.

Knowledge and innovation exchange

Advocacy and social accountability

System reinforcement

Support to reinforce systems investments

Results
Funding based on achievement of sector-wide results

Implementation
Needs-based allocation

Preparation
Planning and support for requirements

Funding for education sector strengthening

Education system development and strengthening

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

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

Domestic financing
Public | Private

Resources support education sector plans

Learning | Equity
Efficient and effective systems

Needs-based allocation
Planning and support for requirements

Knowledge and innovation exchange

GPE grant financing
Core | Targeted

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

SUBJECT TO APPROVAL OF CONTRIBUTIONS AND SAFEGUARDS POLICY
Recap from Cambodia
Financing decisions from December 2016 Board meeting

1. Through the FFF, GPE will leverage **new and better structured forms** of financing for education (e.g., co-financing, private capital, disaster and political risk financing)

2. GPE will also be **more flexible** when mobilizing financing from a wider range of sources, including domestic public expenditure and private investment to support education sector plans

3. GPE may further explore opportunities for targeted financing, consistent with the Contributions & Safeguards Policy under development
Progress since Cambodia (I/II)
A financing sub-group tested, refined, and assessed implications

STRESS TEST FINANCING APPROACHES IN THE FFF

- **MDB and development partner financing**: Reach out to Finance Commission; develop and analyze existing co-financed grants; test ideas with MDB partners and DCPs
- **Private investment**: Articulate opportunities and identify select examples of existing arrangements in DCPs
- **Domestic financing**: Coordinate with operational implications group on relevant funding model enhancements to promote public commitments and test private opportunities at country-level (*see above*)
- **Map financing capabilities** across the Partnership to help GPE better leverage resources for greater impact

REFINE CONCEPTS

- Further develop all financing approaches based on stress-testing and supplementary analyses
- Provide input on eligibility and allocation as it applies to dedicated leveraging funding from GPE

ASSESS IMPLICATIONS

- Provide details on how to operationalize each financing approach, requirements to do so, and potential risks
**Progress since Cambodia (II/II)**

DCPs also provided important input on key design and operational questions

| Education sector financing approach | - Co-financing and coordinated financing bring considerable benefits to DCPs, but can add complexity that must be managed  
|                                  | - Government should lead efforts to crowd in financing, with support from others  
|                                  | - Some DCPs felt the idea of “GPE as broker” is too broad and hard to deliver without strong country-level presence |
| Leveraging resources for greater impact | - Interest in leveraging a pool of funds, especially beyond loans; some DCPs expressed preferences for broad country eligibility for this funding  
|                                  | - Leveraging funds from a specific MDB partner will not make sense for all countries; GPE should not pursue a one-size-fits-all solution  
|                                  | - Country governments should lead on coordination of private investment in education – GPE could play an advocacy and/or knowledge exchange role |
| Domestic financing | - For public expenditure, it is important to reinforce country mechanisms to mobilize domestic resources and secure pledge commitments from the appropriate actors *(to be discussed as a part of funding)*  
|                                  | - For private resources, there is strong interest in GPE devoting a small amount of resources to support country-level structures (existing or new) in mobilizing resources from non-state actors |
## Education sector planning &
GPE quality assurance process

All DCPs eligible for an ESPDG, aims to produce:
- Credible & good-quality ESP
- Achievable and costed action plan (based on plan preparation guidelines); financial framework

## Financing of ESPs

<table>
<thead>
<tr>
<th>Domestic financing</th>
<th>GPE grant financing</th>
<th>Financing leveraged by GPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• DCP finance requirement in funding model</td>
<td>• LICs, SILDs, and Vulnerable LMICs eligible for ESPIG</td>
<td>• Some level of co-financing &amp; coordinated financing</td>
</tr>
<tr>
<td>• GPE lacks enforcement mechanisms</td>
<td>• Other LMICs are not eligible</td>
<td>• Crowding in varies across countries</td>
</tr>
</tbody>
</table>

## Future model with FFF

- Credible, high-quality ESP will form the basis of Education Sector Investment Case
- Costed activities could be financed by range of partners and donors

- Standardize resource mobilization as part of ESP development process
- Crowd in financing more effectively and consistently
- Leverage Partnership expertise on innovative financing mechanisms (e.g., pooled funding)
- Strengthen education systems in non-ESPIG countries
- Improve monitoring of financing commitments

---

## Evolution of GPE’s Financing Approach

This enabled a cohesive financing approach, building on GPE’s current model
Overview of Proposed Financing Approaches
As GPE evolves, money will pass through the platform in new ways

- **Domestic financing**
  - Public
  - Private

- **GPE grant financing**
  - Core
  - Targeted

- **Financing leveraged by GPE**
  - MDBs & other development partners
  - Private investment
  - Disaster and political risk

**Education Sector Investment Case approach**
Enables greater coordination and scale of Education Sector Plan-aligned investments

**New financing elements under FFF**

**Leverage Funding Pool**
Incentivizes DCPs to leverage external financing

**Education Sector Plan: implementation of key activities**
Education Sector Investment Case approach (I/III)
ESIC approach will unify GPE’s various roles and functions

**Sector plans at the core**
GPE supports developing country governments to create high-quality education sector plans

**Country-driven priorities**
GPE’s funding modalities are responsive to local education sector needs and directed by countries

**Flexible approach to financing**
GPE grants strengthen education systems and ensure country-ownership in deploying funds

**More financing for education**
GPE mobilizes coordinated financing from public and private sources as well as domestic resources

**ESIC approach** will advance GPE’s mandate and bring greater coherence to its role in the education space
Education Sector Investment Case approach (II/III)
GPE supports DCPs to coordinate education financing

What GPE seeks to avoid:

What GPE aims to support:

ESIC approach = strengthened GPE efforts to support DCPs in crowding in harmonized financing for the implementation of education sector plans
Education Sector Investment Case approach (III/III)

GPE will enable financing from a wider range of sources

- GPE
- Other external financing
  - MDBs
  - DPs

Efforts to leverage at 1:3 ratio

Education sector plan & investment case

Efforts to enable

- Private investment
- Private grants
- Government public expenditures
ESIC Process (I/II)

GPE will strengthen existing education sector planning processes

- Initiating dialogue with funders earlier in ESP process
- Integrating discussions and enhanced planning for resource mobilization and financing arrangements in ESP development
- Strengthening monitoring of financing commitments via joint sector reviews

- The Investment Case document will build off of the ESP financing framework and action plan, to make the case for education sector investments and help coordinate different sources of finance
- Investment case will articulate why and how to support country’s ESP with additional financing
ESIC Process (II/II)
GPE will also build new processes to mobilize additional financing

- **Convening financing partners**
  - Build on existing efforts to convene financing partners around the ESP
  - Support Ministries of Education in dialogue with Ministries of Finance & donors, and encourage involvement of senior government leaders
  - Engagement strategy will vary from country to country (e.g., investment case launch or round-table event, identify private investment opportunities, circulate investment case)

- **Leveraging capabilities**
  - Encourage DCPs to use every $1 of GPE funding to secure $3 in external financing
  - Support broader range of leveraging options (e.g., MDB co-financing, unlocking private capital), and draw on expertise of partners
  - Leverage Partnership financing capabilities through “matchmaking”
  - Strengthen global systems to monitor of co-financing of GPE grants

- **Leveraging resources**
  - Set aside dedicated pool of resources to enable DCPs to leverage additional external financing
  - Non-ESPIG eligible countries will apply through competitive process; if high replenishment, ESPIG eligible countries will receive incentive-based funding

*Leverage Funding Pool to be further discussed*
ESIC and Leveraging Finance from Partners
GPE will work with different partners to remove constraints to leveraging

- **Development partners**: GPE can better leverage the full range of financing capabilities that exist across the Partnership – from expertise in private sector engagement to deploying specific financing instruments (e.g., guarantees)

- **MDBs**: GPE can dedicate grant resources to pursue co-financing and more formal leveraging arrangements with MDB partners
  - **World Bank**: For IDA countries that receive an ESPIG, co-financing (e.g., adding IDA financing to a GPE ESPIG or vice versa) is the most attractive arrangement
  - **Islamic Development Bank**: A “blend” co-financing arrangement between GPE, IsDB, and the country is likely most attractive; IsDB would transfer a financing package to the country that includes a loan from the IsDB and a grant from GPE

- **Private sector investment**: Analysis and consultations to date suggest GPE is better positioned to act as a facilitator and convener to help enable ESP-aligned private sector investments – rather than investing directly
Leverage Funding Pool—*Overview*

GPE will incentivize DCPs to leverage external financing at 1:3 ratio

**Key Goals:**

- **Catalyze external financing** in coordinated way to support ESPs
- **Crowd in non-traditional financing** (e.g., private sector, MDBs) and increase loan concessionality
- **Align with MDB Investment Mechanism** to enable greater financing for education
- **Enable Partnership to gain experience and impact** with co-financing and “blend” financing

**Leverage Fund Set-up:**

- **Dedicated pool of resources:** initial allocation of $100 million for Leverage Funding Pool
- **1:3 leveraging ratio:** access to funding conditional on additionality and co-financing from $1 of external resources for every $3 of GPE grant

The proposed Leverage Funding Pool will incentivize securing additional resources for greater impact per dollar of GPE grant resources
Leverage Funding Pool—*Eligibility*
The Leverage Fund will support ESPIG and non-ESPIG eligible DCPs

<table>
<thead>
<tr>
<th>Country segment</th>
<th>Base GPE replenishment 2018-2020 scenario</th>
<th>High GPE replenishment 2018-2020 scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ESPIG eligible countries</strong></td>
<td>Not eligible for Leverage Funding Pool</td>
<td>Eligible for Leverage Funding Pool as an incentive-based top up</td>
</tr>
<tr>
<td>• LICs (30)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Small island and landlocked developing states (18)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Vulnerable LMICs (19)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-ESPIG eligible countries</strong></td>
<td>Eligible to apply for Leverage Funding Pool in competitive process</td>
<td>Eligible to apply for Leverage Funding Pool in competitive process</td>
</tr>
<tr>
<td>• Other LMICs (22)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Leverage Funding Pool—*Process*

Non-ESPIG eligible DCPs will apply through a competitive process.

<table>
<thead>
<tr>
<th>Eligible countries</th>
<th>Leverage requirement</th>
<th>Allocation of resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Meet GPE’s funding model requirements: credible ESP, domestic resource mobilization commitments, and data</td>
<td>• Leverage demonstrably new &amp; additional funding</td>
<td>• <em>Further work on allocation methodology underway</em></td>
</tr>
</tbody>
</table>
| • **Results-based:** 30% of GPE resources linked to achievement of sector-wide results in learning, equity, and efficient and effective systems | • GPE grant could be combined with:  
1) Grant funding from external sources  
2) Highly concessional loan funding (e.g., IDA)  
3) Non-concessional lending | |

Conditional on approval of the Leverage Funding Pool, detailed design work will continue throughout 2017, with implementation and rollout of in 2018.
## Capacity Implications
Assessment of capacity needs will be undertaken through June 2017

<table>
<thead>
<tr>
<th>Actor</th>
<th>Actions required to successfully implement financing approaches</th>
</tr>
</thead>
</table>
| GPE Partnership | • Leverage assets and financing capabilities of the GPE partners  
• Maintain current GPE global governance structure  
• May consider an advisory body of GPE members with relevant expertise |
| Secretariat | • Train existing Secretariat members on ESIC approach  
• Increase capacity and expertise in high-impact interventions, finance (public finance, private sector and innovative finance), and resource mobilization  
• Supplement capacity to engage with MDBs and non-traditional partners |
| DCPs and LEGs | • Respond to capacity needs of DCPs, which will vary across countries  
• Enhance capacity of LEGs to effectively engage in monitoring as well as discussions on DRM, public financing, and budgeting  
• Build on existing structures (e.g., LEG) to create country-level platform |
| Coordinating Agencies & Grant Agents | • Collaborate closely with CAs and GAs on ESIC approach |

Capacity implications require further consideration via ongoing design work throughout 2017
Next Steps
Further design and rollout would happen in the next 18 months

**ESIC approach**

**Planning**
- Solicit input from DCPs, donors, and LEGs to further develop ESIC approach
- Continue engagement with analogues & benchmarks for best practices

**Set-up**
- Create detailed implementation plan for rollout of ESIC approach
- Articulate ESIC approach and ensure capacity increases are outlined in Human Resources Plan

**Launch & Expansion**
- After Board decisions, put in place approved capacity increases
- Launch “investment case” approach in late 2017/early 2018

**March – October 2017**
- Develop clear processes for non-ESPIG eligible countries to access leveraging funding

**October-December 2017**
- Create US$100 million leverage funding pool
- Present opportunity to eligible countries and potential partners

**Nov-Dec 2017**
- Conditional on sufficient resources, consider leverage funding for ESPIG-eligible countries

**March – December 2017**

**Leverage Funding Pool**
Funding: enhancements to the core funding model
Session 2.2
Sharpening our core funding instrument to deliver on GPE2020

Realizing GPE 2020 will require...

- Stronger and predictable levels of domestic and international financing
- Enhanced delivery capacity at country level
- Better data to drive decision making
- Effective results based financing model
- Enhanced approach for supporting countries in emergencies as well as small, island and land locked states

The Enhancements to the ESPIG will Deliver....

- Stronger DRM requirements
- Improving alignment & harmonization
- Enhanced ways of supporting capacity
- Improved support for data
- Enhancements to the variable funding component
- Interface with ECW
- New guidelines for regional funding approaches
**IMPACT:**
How the enhancements will strengthen the GPE model

- Improve decision making and accountability
  - Enhanced approach to funding data

- Increase and improve resources for the ESP implementation through enhanced approaches for DRM and aid alignment / harmonization

- Build greater resiliency through increased emphasis in Planning, Interface with ECW

- Build better delivery capacity

- Improve quality & additionality of the variable funding component
Considerations on the path forward

Initial upfront investment

• Several of the enhancements to the ESPIG will require new or improved policies to be created, with implications for the work plan for SIC, Secretariat and GPC

Capacity

• Some capacity implications at country level, ideally addressed through the review of capacity funding approaches called for by the Board
• Capacity implications for the Secretariat will be forthcoming in the Strategic HR plan in June 2017

Learning

• Will be important to include a very strong learning and evaluation approach to the ESPIG enhancements to enable continuous improvement
Education Cannot Wait
Session 2.3
Executive summary (1/2)

• Ultimately, GPE and ECW will play different roles in the emergency space, particularly given the different levels at which they work, with GPE focusing primarily on system level changes with traditional actors, whereas ECW is tailored to serve countries experiencing emergencies and crises and will work with more non-traditional actors (e.g., local NGOs)

• While GPE has options to support countries in emergency and crisis settings, ECW is designed explicitly for this purpose, with a focus on early stage response

• GPE and ECW can and should collaborate to better address relevant high-level gaps in education in emergencies and protracted crises (EiEPC), including: a general funding gap, lack of links between development and humanitarian efforts, underfunded global / regional public goods and growing unmet needs of forcibly displaced people

• The interface memo intends to help the GPE Board think about opportunities for complementarity and collaboration with ECW to ensure that education needs are met in Emergencies and Protracted Crises (EiEPC)
Executive summary (1/2)

• We identify three primary GPE / ECW interfaces, across which GPE and ECW will need to and answer a variety of questions as ECW is operationalized this year: (1) Planning and implementation funding, (2) Funding for global and regional public goods, (3) Global Secretariat operations related to strategy, advocacy, and replenishment

• At this time, given ECW’s comprehensive design, there is no explicit need for additional GPE funding mechanisms targeting emergencies and protracted crises, but there is an opportunity for GPE to provide more guidance on resilience and preparedness

Notes: 1. This paper considers the GPE / ECW interface regardless of the permanent ECW hosting decision.
GPE and ECW will need to collaborate across three interfaces:

**ECW Interface #1**
- Planning and implementation funding

**ECW Interface #2**
- Knowledge and innovation exchange
- Advocacy and social accountability

**ECW Interface #3**
- Support to reinforce systems investments

**FUNDING FOR EDUCATION SECTOR STRENGTHENING**

**Education system development and strengthening**

**System reinforcement**

**Secretariat global activities**