

MEETING OF THE BOARD OF DIRECTORS

VIA VIDEOCONFERENCE

BOD/2021/12 DOC 05

FOR DECISION

MULTIPLIER EFFICIENCY AND TRANSPARENCY IMPROVEMENTS

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

Key issues for considerations:

- The Finance and Risk Committee (FRC) considered the proposed efficiency and transparency improvements to the Multiplier operations and requested the Secretariat to strengthen the Multiplier guidance to include examples of clear evidence of additionality and to explicitly underscore consultation with the Local Education Group ([FRC/2021/10-02](#)).
- The FRC also broadly supported the recommendation to the Board for a delegation of authority to the Secretariat to approve indicative allocations for the Multiplier based on valid expressions of interest, which will reduce the time required to secure allocations.
- The FRC stressed the need for an external evaluation of the Multiplier and stronger linkages with the Performance, Impact and Learning Committee (PILC), and requested the full report of the review. The Secretariat made the report available on the [Governance Portal](#) in November.
- The PILC broadly supported the proposed improvements of the Multiplier Review. The Committee was requested to input on and broadly agreed with Secretariat suggestions regarding future country-level evaluations to revisit the additionality function of the Multiplier (financial and policy) and following up on the effectiveness of the implementation of the recommendations.

Objective

1. The Board is requested to consider the Finance and Risk Committee (FRC) recommendation for a delegation of authority to the Secretariat to approve indicative Multiplier allocations, in an effort to improve efficiency of operations.

Recommended decision

BOD/2021/12-XX-Delegation of Authority to Secretariat to approve indicative Multiplier allocations: The Board of Directors:

1. Taking note of decision [FRC/2021/10-02](#), approves the proposed delegation of authority to the Secretariat to approve indicative Multiplier allocations based on valid expressions of interest, as set out in Annex B of BOD/2021/12 DOC 05.

Background and overview

2. By September 2020 Board decision [BOD/2020/09-02](#), the FRC was requested to make an assessment of the Multiplier's i) financial implications, ii) evidence of successes to date and iii) implications for Secretariat of increasing the number of Multiplier eligible countries, and to report back to the Board following the Financing Conference.
3. In December 2020, the Board expanded eligibility to access the Multiplier to all GPE-eligible countries for 2021-2025 and raised the maximum potential allocations for countries based on school-age populations in GPE's priority subsectors ([BOD/2020/11/12-04](#)).
4. In September 2021, the Finance and Risk Committee indicatively allocated US\$ 750 million to Multiplier allocations for the 2021-2025 period ([FRC/2021/09-01](#)). In view of the Board decision [BOD/2020/09-02](#), the FRC confirms that there are no further financial implications from the Board's approved scale-up.
5. As of end-September 2021, over US\$ 365 million has been allocated in Multiplier grants across 36 countries. Allocations have helped to mobilize more than US\$ 1.6 billion in reported cofinancing.
6. In May 2021, the Secretariat launched a comprehensive review. It builds on prior external reviews in [2017-2018](#) and [2019-2020](#). The review was carried out by an independent team within the Secretariat and consisted of a structured desk review of grant documents and stakeholder interviews from a sample of countries.
7. The review highlighted four areas for improvement: a) reduce the time required to secure allocations and develop grant applications; b) improve transparency about the threshold/expectations for showing financial additionality; c) help countries with limited external support access the Multiplier; d) ensure that providing cofinancing does not preempt transparency and robust policy discussion at the country-level.
8. **Annex A** summarizes the review's scope, methodology, and findings in detail. **Annex B** sets out no-cost approaches that, if approved, would integrate this feedback into the Multiplier's operations.
9. Noting that delivering the ambition of GPE2025 required increased investment in the Secretariat, the Board has already approved additional staff positions, and one of these positions will be allocated to work on the Multiplier and other innovative finance opportunities. It is not expected that additional resources will be required.

Annex A – Review context, methodology and findings

Annex B – Proposed transparency and process improvements

The report of the Multiplier Review is available on the [Governance Portal](#).

Annex A – Review context, methodology and findings

Multiplier Context

1. The GPE Multiplier incentivizes new and established partners to increase investment in education in GPE partner countries.
2. Countries can secure allocations by collaborating with external financing partners to mobilize at least US\$ 3 in new and additional cofinancing for education for each US\$ 1 in supplemental funding from a Multiplier grant, up to a maximum grant level¹.
3. In 2017, GPE's Board of Directors approved a pilot stage for the instrument. In 2018, building on evidence of traction and country-demand, the Board expanded the resources available for allocation through the instrument to US\$ 300 million and expanded eligibility to sixty-eight (68) countries.
4. In 2020, the Board expanded eligibility to all GPE-eligible countries for 2021-2025, allocated US\$ 750 million to the instrument, and raised countries' maximum potential allocations, calculated based on school-age populations in GPE's priority subsectors ([BOD/2020/11/12-04](#)).
5. Funding from the Multiplier is not guaranteed. To secure an allocation, countries:
 - a. Develop an Expression of Interest (EOI) to secure a Maximum Country Allocation from the Multiplier. Amongst other criteria, the EOI sets out sources and amounts of new and additional funding mobilized, and, if relevant, implications for debt sustainability.
 - b. The Local Education Group discusses / reviews the EOI. If appropriate, it is signed by representatives of the Coordinating Agency, the cofinancing partner(s), and the national authorities.
 - c. The EOI and annexed evidence is submitted to the GPE Secretariat. The Secretariat assesses the document, focusing on the case for financial additionality.
 - d. The Secretariat prepares a Summary Note with its assessment for review by the body with mandated authority to review and approve EOIs. In 2017, this was the Board. In 2018, the Board mandated the Grants and Performance Committee to review EOIs to reduce processing time.
 - e. If the reviewing body approves the EOI, the country has secured a Multiplier allocation. Securing this allocation depends on the Board's approval of the eventual grant application.
 - f. The country and cofinancing partner then develop and quality assure a program exactly as they would for the System Transformation Grant (STG).
 - g. The Board reviews and, if appropriate, approves the grant application.

¹ This ratio is \$1 to \$1 under the GPE Match approach for non-sovereign foundations and the business community.

6. The review of the GPE Multiplier finds that many countries experience long time lags to secure an allocation.

Review Methodology

7. The [review](#) was launched in May 2021 and concluded in September 2021. The findings are based on data from a structured desk review of thirty-two (32) grant documents and qualitative information from stakeholder interviews from a sample of ten (10) countries.² This includes all countries that secured Multiplier allocations between December 2017 and March 2021.
8. The review studied:
 - a. **Financial additionality:** whether the Multiplier mobilized more funding or mobilized funding more quickly than would have been the case if the Multiplier were not available. The potential channels for financial additionality include bringing a new donor to the country or the sector within the country, providing more funding from an established donor, reallocating to GPE's priority subsectors from other sectors.
 - b. **Policy additionality:** whether Multiplier-funded programs drive different or improved policy outcomes. This might include influencing program content (for example, a greater focus on excluded or marginalized groups), program modality (for example, facilitating a transition from less-aligned, project-based aid to a pooled fund), and/or policy dialogue (for example, facilitating better coordination amongst donors and with national authorities).
 - c. **Process / transaction costs:** stakeholders' experiences of using guidelines and meeting requirements to access the Multiplier.
9. The review was carried by an independent team within the Secretariat. The strategic finance team, responsible for implementing the Multiplier, responded to queries and shared background documents and data. It did not conduct the analysis and did not join any private interviews with stakeholders.

Findings of the review

Financial additionality

10. The review indicates that the Multiplier creates financial additionality, but the extent of this additionality is varied and country-specific, and there is a need to align information submitted to the Secretariat about financial additionality with Local Education Groups' understanding of the context.

² The Gambia, Cambodia, Cote d'Ivoire, Ethiopia, Moldova, Timor-Leste, Vietnam, Zanzibar, Papua New Guinea, and Mozambique.

11. Specifically, the review of documentation and evidence submitted to the Secretariat to secure allocations indicates that the cofinancing was additional to what the donor would have provided (in 31 of 32 countries studied); redistributed from another sector to the benefit of the education sector (9 of 32); redistributed from a non-GPE priority education subsector to a priority subsector (2 of 32); or from a donor that is wholly new to the country / context (1 of 32).
12. Stakeholder interviews in 10 of these 32 countries finds that the degree and extent of financial additionality varies across countries. In five of the 10 countries reviewed, stakeholders strongly corroborated the evidence submitted for the Secretariat's review.
13. Amongst other responses, they noted that the instrument's incentive effect motivated cofinancing partners to mobilize more funding and / or shift funding into a GPE priority subsector. For example, one partner notes:

"The (co-financier) support to education was going to exist and was independent of the multiplier. But the multiplier was a tool for us to go to headquarter and say that if we put additional xx dollars in the project, we will be able to leverage more resources. This is something very powerful."

14. Similarly, ministry of education focal points concluded that the instrument enabled better coordination amongst different ministries and "lobbying" ministries of finance to invest in education.
15. In the other five countries included in the interview sub-sample, the stakeholder interviews indicated that the Multiplier's role was less clear. For example, the cofinancing package was under development and the Multiplier provided an incentive to secure approval from the country partner or the cofinancing partner.
16. Respondents indicated that the more rigorous threshold for showing additionality (adopted by the Board in 2018) could be onerous:

"We wrestled with the additionality requirement...We spent a lot of time thinking about how to write [co-financier's] letter to 'prove' newness. It was indeed new money but proving it is tricky..."

Policy additionality

17. The review finds that Multiplier funding can enhance policy additionality:
 - a. First, Multiplier grants appear to enhance the equity. For example, 80% of the Multiplier grants studied supported interventions for marginalized children / children with disabilities.
 - b. Second, the Multiplier is the only GPE grant that foundations and other non-traditional partners can cofinance directly at the level of country-programs. In one country, the EOI process strengthened public-private dialogue in Local

- Education Groups and created an opportunity for non-traditional partners like foundations and the private sector to provide cofinancing.
- c. Finally, Multiplier grants are nearly twice as likely as non-Multiplier grants to use a harmonized modality, like a pooled fund.³

Process / transaction costs

18. Recalling that after securing a Multiplier allocation, program expectations and the grant preparation process are the same as for GPE's implementation grants (ESPIG / STG), there are two core findings with respect to the Multiplier:
 - d. Transaction costs for securing Multiplier allocations are high. On average, it took an average of 75 days from EOI submission to EOI approval⁴.
 - e. The requirement of US\$ 3 in new and additional funds is high for countries with limited external support. Some respondents suggested that the ratio should be changed or the instrument adjusted to facilitate more, smaller contributions.
19. The time GPE requires to commit funds is a disincentive for both cofinancing and country partners.
20. The review does note that the time from EOI submission to grant approval decreased from an average of 676 days for applications submitted before 2018 to 315 days for those submitted after 2018.
21. However, most of this decrease has been driven by improvements in processing after the EOI has been approved. Average processing time for EOIs only decreased from an average of 92 days before June 2018 (when Board review of EOIs was required) to 59 days afterwards (when the Board delegated responsibility for reviewing EOIs to the Grants and Performance Committee).
22. For 2021-2025, the Grants and Performance Committee is no longer active. GPE's current procedures therefore call for the Board to review EOIs. This is expected to cause a significant increase in time to secure allocations and duplicate the Board's workload, because EOIs lead to grant applications that the Board also reviews.

³ GPE guidance for the Multiplier indicates a preference that cofinancing be implemented through a harmonized modality (project or sector pooled). The choice of funding modality may reflect the countries that applied for the Multiplier, and older ESPIGs may not be harmonized.

⁴ This analysis is based on the twenty (20) countries for which data on the full application process was available.

Annex B – Proposed transparency and process improvements

Challenge	Proposed improvement	Explanation
<p>Unacceptably long processing / transaction time to secure Multiplier allocations</p>	<p>I. Delegate authority to the Secretariat to approve indicative allocations based on expressions of interest that meet the criteria. The actual grant allocations would still be Board approved for those above US\$10 million.</p> <p>The Secretariat aims to reduce time from EOI submission to allocation approval from 75 days to no more than 15 working days.</p> <p>This will dramatically accelerate program development.</p>	<p>Under the proposed modification, the Board would delegate authority to the Secretariat to approve the indicative allocation. The Board would maintain full control. It would review and approve grant applications prepared by countries using these allocations, including evidence of financial additionality.</p> <p>Under GPE’s new Operating Model, a country submits an Expression of Interest (EOI) to the Secretariat to secure a Multiplier allocation. The Secretariat reviews the EOI and makes a recommendation to the Board. If the Board approves the EOI, the country receives an indicative Multiplier allocation. The country then submits a full grant application to implement the funds. The Board reviews the application (above US\$10 million) and, if appropriate, approves the program and allocation.</p> <p>With a secured allocation, countries would develop Multiplier grants exactly like System Transformation Grants (and are encouraged combine the Multiplier and STG wherever practicable). GPE’s new Operating Model is expected to accelerate the time from EOI approval to grant application.</p> <p>During 2018–2020, the Secretariat recommended actions for approval to the Grants and Performance Committee. Notably, the committee agreed with the Secretariat’s recommended action for EOIs to access the Multiplier in all cases.</p>

<p>Complexity of interpreting additionality requirement</p>	<p>II. Update and improve publicly available guidance to include examples of clear evidence of additionality.</p>	<p>The review highlighted concerns from partners about showing financial additionality, such as a clear paper trail leading from an initial financing envelope to an enlarged one due to the Multiplier’s incentive effect.</p> <p>In particular, in 31 of 32 documents reviewed, the EOIs submitted to the Secretariat indicated strong evidence of financial additionality, while focused follow-ups with stakeholders indicated that this effect was less clear and highly-country specific in five of the 10 countries selected for stakeholder interviews.</p> <p>To facilitate high-quality expressions of interest to access the Multiplier, the Secretariat can amend existing publicly available guidance to include a library of relevant (anonymized) examples to share with country partners and local education groups.</p>
<p>Providing cofinancing empowers specific partners, leading them to dominate policy dialogue</p>	<p>III. Update guidance to explicitly confirm that the source of cofinancing and program focus should reflect input from / consultation with Local Education Group.</p>	<p>The review indicates that in some cases, the cofinancing partner providing funding to unlock the Multiplier allocation dominates the policy dialogue in the local education group.</p> <p>Some partners felt their input or concerns were not addressed.</p> <p>To mitigate this risk, the Secretariat can adjust the Multiplier guidance to underscore the expectation that the local education group discusses / is appraised of the source of any potential cofinancing and can provide input to the formulation of the cofinanced program.</p>