

## MEETING OF THE BOARD OF DIRECTORS

VIA VIDEOCONFERENCE

BOD/2021/12 DOC 06

FOR DECISION

### OPERATIONAL DETAILS: FRONTLOADED COFINANCING

*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 consideration:**

- The December 2020 Board decision noted the potential of this approach and requested the operational details to be reviewed by the Finance and Risk Committee (FRC) for recommendation to the Board for approval.
- While the FRC recommended approval of the operational details, some members expressed reservations, indicating that the value add should be further clarified, any risks associated with ring-fencing of funding should be managed, there should not be any competitive advantage for particular grant agents, and the approach should be anchored in the principle of country leadership. The Secretariat provided written feedback addressing these comments, indicating where the design document integrates this feedback or where it will be strengthened to accommodate input. The FRC feedback to clarify and strengthen the proposed operational details has also been reflected in the Board document and recommended decision.
- The Secretariat will continue ongoing discussions with the Arab Coordination Group and will consult the FRC regarding any material revisions.

#### **Objective**

1. The Board is requested to approve the Finance and Risk Committee (FRC) recommendation on the proposed operational details to the “frontloaded cofinancing” approach, in line with [BOD/2020/11/12-06](#).

#### **Recommended decision**

**BOD/2021/12-XX—Operational Details: Frontloaded Cofinancing:** The Board of Directors:

1. Recalling decision [BOD/2020/11/12-06](#), approves the operational details to the frontloaded cofinancing approach, as set out in Annex A of BOD/2021/12 DOC 06.
2. Instructs the Secretariat to ensure that operationalization does not compromise country leadership or the role of Local Education Groups, and adheres to all GPE

safeguards and quality assurance standards, without restricting choice of grant agent or source of co-financing to access the Multiplier.

3. Requests the Secretariat to update on the performance of the approach as part of GPE's Results Framework and Corporate Risk Framework, and the monitoring mechanisms set out in Annex B.

## Background

2. In December 2020, the Board, noting the potential of this approach, authorized the Secretariat to develop the operational details for frontloading Multiplier resources for consideration by the FRC and recommendation to the Board, and were informed of the Islamic Development Bank's (IsDB) interest in participating ([BOD/2020/11/12-06](#)).
3. The approach can mobilize US\$ 400 million from the Arab Coordination Group (ACG) (announced at the Global Education Summit), above the Multiplier's standard 3:1 requirement. GPE's \$100 million notional allocation creates a new incentive for the IsDB to present cofinancing options in some of the thirty-seven Multiplier eligible countries that overlap with IsDB membership, many of which struggle to mobilize cofinancing.
4. From an operational perspective, the approach is simple and fully respects country leadership and ownership. Countries can choose to use this option, work with other partners to unlock the Multiplier, or choose not to access it all. Countries that want to use this option do so in the same way as for all other GPE Multiplier grants. All existing GPE safeguards, quality assurance standards, review, and approval procedures apply.
5. The approach aligns with GPE2025 objectives to mobilize coordinated action and financing, securing new support for education from the Arab Coordination Group which includes four sovereign funds representing Kuwait, Qatar, the United Arab Emirates and Saudi Arabia. It reinforces GPE's strategic engagement with new donors and cofinancing partners in the region, building on IsDB's experience as a grant agent.
6. **Annex A** sets out detailed information about the approach, which creates an additional option that countries can choose to secure their Multiplier allocations.
7. **Annex B** sets out how the approach mitigates risks. The Secretariat will report on allocations and cofinancing mobilized in GPE's Results Report and Corporate Risk Framework and implement a monitoring mechanism set out in **Annex B**.
8. Funds to implement the approach are included in the US\$ 750 million allocated to the Multiplier for the 2021-2025 period ([FRC/2021/09-01](#)). There are no further financial or human resource implications.

### Annex A - Operational details

### Annex B - Risk mitigation and monitoring and transparency mechanism

The full design document is available on the [Governance Portal](#)

## Annex A – Operational details

### Context

1. The GPE Multiplier provides an incentive and the resources crowd in financing for education.
2. Partner countries work with potential grant agents to identify new and additional cofinancing that could be mobilized by the Multiplier’s incentive effect. Governments and Local Education Groups select Grant Agents for the Multiplier based on ability to implement programs aligned with national education priorities and the resources they can mobilize (alongside the Multiplier) to implement these programs.
3. However, many country partners struggle to secure cofinancing required to access Multiplier allocations. External grants and concessional finance are not equally available to all countries. Many countries struggle to find new external cofinancing for education. This has been consistently highlighted in evaluations:
  - a. The rapid-cycle evaluation of the pilot stage of the Multiplier’s roll-out addressing seven countries, conducted in 2017–2018;
  - b. GPE’s [Country-Level Evaluations](#), which included six further countries at various stages of accessing the grant in 2019–2020;
  - c. The [Integrated Summative Evaluation](#) (ISE) published in 2020;
  - d. Multiple rounds of Partnership dialogue led by country partners to identify priorities for GPE’s 2021–2025 strategic plan, and
  - e. The most recent [Multiplier review](#) in 2021, with evidence from 32 countries (FRC/2021/10 DOC 05).
4. Recognizing the importance of supporting country partners to secure additional cofinancing, GPE’s Board instructed the Secretariat to develop operational details for *frontloading* Multiplier resources ([BOD/2020/11/12-06](#)).
5. This calls for GPE to notionally allocate US\$ 100 million in resources if a partner allocates at least US\$ 400 million to it. This secures US\$ 4 in cofinancing for each US\$ 1 invested by GPE through quality-assured grants, above the normal US\$ 3 to US\$ 1 ratio.
6. The notional allocation of GPE’s funds incentivizes partners to approach a large range of countries with cofinancing for projects aligned with their national priorities / Partnership Compacts.
7. These potential projects are not currently known or designed. GPE’s funds would not be “precommitted” to any specific projects. Countries are free to pursue the cofinancing offer, or secure their Multiplier allocations with other partners.

8. The approach creates cofinancing options for countries that might otherwise struggle to secure cofinancing to access the Multiplier. GPE's quality assurance and grant approval processes would still apply. The approach merely creates an incentive for more offers of cofinancing to be made to countries.

### **US\$ 400 million notionally allocated by the Arab Coordination Group**

9. The Arab Coordination Group (ACG) of 11 development finance institutions<sup>1</sup>, under the leadership of the Islamic Development Bank (IsDB), indicated an interest in collaborating with GPE to develop and deploy this approach.
10. This builds on the Memorandum of Understanding and Letter of Intent in place between GPE and the IsDB agreed in 2019, and the IsDB's ongoing work as a GPE Board member and accredited Grant Agent.
11. At the Global Education Summit in July 2021, the Islamic Development Bank announced that the ACG would notionally allocate US\$ 400 million to the frontloading approach. Subject to the GPE Board's approval of operational details, this provides sufficient resources to operationalize the approach.
12. The GPE Secretariat and ACG partners jointly articulated a proposed approach. This included:
  - a. Review and input from GPE governance in November 2020 and December 2020 ([BOD/2020/11/12-06](#));
  - b. Technical meetings between GPE and representatives of ACG institutions in July 2021 and September 2021;
  - c. Trilateral discussions on design parameters amongst the IsDB, GPE, and individual ACG institutions in June and July 2021;
  - d. Feedback and input from senior management of GPE, IsDB, and ACG institutions, culminating in a high-level discussion during the Global Education Summit in July 2021, and
  - e. Review by ACG Directors of Operations and GPE's Finance and Risk Committee in October 2021.
13. The proposal is summarized below. The full design document is available on the [Governance Portal](#).
14. The approach would be launched in December 2021. It would begin helping countries secure Multiplier allocations by deploying new and additional cofinancing in January

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<sup>1</sup> The ACG consists of 11 institutions, five of which are national institutions including the Abu Dhabi Fund for Development, the Kuwait Fund for Arab Economic Development, the Qatar Fund For Development, the Saudi Fund for Development and the Iraqi Fund for External Development, and six regional organizations consisting of the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Arab Gulf Program for Development (AGFUND), the Arab Monetary Fund, Islamic Development Bank as well as OPEC Fund for International Development.

2022. The proposal minimizes transaction costs and aligns with all institutions' safeguards and quality assurance requirements.

### **Design principles and proposed approach**

15. Reflecting consultation and input, the GPE Secretariat and ACG partners adopted four design principles:
  - a. **Country-level decision making:** Country partners have full control to choose their preferred cofinancing partner and grant agent for GPE funds.
  - b. **Country leadership:** The frontloaded cofinancing package is strictly a choice provided to the country. National authorities and the local education group can elect to use.
  - c. **Consistent quality assurance:** programs funded through the frontloading approach are quality assured in the same way and to the same standards as all other GPE implementation funding.
  - d. **Integrated procedures:** the approach should not create any further transaction costs for countries to secure an allocation.
  
16. For any Multiplier grant, to secure an allocation, a country:  
*(The sections in italics are identical between the standard approach and the frontloading approach)*
  - a. Engages in dialogue with potential cofinancing partners to identify projects aligned with Partnership Compacts / high-level planning documents.
  - b. If a partner is identified and can mobilize new and additional resources for education in response to the Multiplier's incentive, national authorities and the local education group can develop an expression of interest (EOI) to secure a Multiplier allocation.
  - c. *Amongst other features, the EOI details the scope of expected cofinancing, evidence of its financial additionality, and, if relevant, any implications for debt sustainability.*
  - d. *The Secretariat reviews the EOI. A body with authority mandated by the Board reviews and, if appropriate, approves the EOI. This secures a Multiplier allocation for the country.*
  - e. *The country develops a quality-assured education program in line with GPE's quality assurance procedures and expectations.*
  - f. *The Board reviews the quality-assured program / grant application and, if appropriate, approves it. The timing of the Board's review aligns with the timing of cofinancing partner(s)' management / Board approval(s).*
  
17. Reflecting the design principles above, the proposed operational approach for frontloading cofinancing corresponds to GPE's existing approach, quality assurance requirements and safeguards:

*(The sections in italics are identical between the standard approach and the frontloading approach)*

- a. IsDB engages in dialogue with countries alongside other potential cofinancing partners to identify projects aligned with Partnership Compacts / high-level planning documents.
  - b. IsDB presents potential projects to the ACG at a regularly scheduled meeting. Subject to joint interest in providing cofinancing, the IsDB can propose cofinancing to governments and Local Education Groups.
  - c. If the country chooses the frontloaded cofinancing option, national authorities and the local education group can develop an expression of interest (EOI) to secure a Multiplier allocation.
  - d. *Amongst other features, the EOI details the scope of expected cofinancing, evidence of its financial additionality, and, if relevant, any implications for debt sustainability.*
  - e. *The Secretariat reviews the EOI. A body with authority mandated by the Board reviews and, if appropriate, approves the EOI. This secures a Multiplier allocation for the country.*
  - f. *The country develops a quality-assured education program in line with GPE's quality assurance procedures and expectations.*
  - g. *The Board reviews the quality-assured program / grant application and, if appropriate, approves it. The timing of the Board's review aligns with cofinancing of partner(s)' management / Board approval(s).*
18. The approach does not crowd out other programs. The US\$ 100 million in grant finance and US\$ 400 million in ACG funds would be notionally allocated to this pipeline of potential programs. Funds would be drawn down as they are allocated (committed) on a project-by-project basis. If the rate of committing funds is low, funds remain in GPE's account and can be reallocated to other priorities. With US\$ 750 million allocated to Multiplier grants for 2021-2025, there is no risk that this notional allocation crowds out other allocations.
19. From GPE Secretariat's perspective, the process to deploy Multiplier funding is the same as the standard approach for Multiplier grants. From the country's perspective, frontloaded cofinancing creates an option for financing the country can choose to use. The stages to secure financing and prepare a program are identical to GPE's standard grantmaking model.
20. The Expression of Interest to secure a Multiplier allocation and the final grant application using the allocation meet the same review and quality assurance standards as all GPE grants.

## Annex B – Risk mitigation and monitoring and transparency mechanism

### Risk and risk mitigation for frontloaded cofinancing

1. The Board’s consideration of the frontloaded cofinancing approach includes a range of potential challenges ([BOD/2020/11/12 DOC 08](#), Section 5).
2. The table below lists risks identified in [BOD/2020/11/12 DOC 08](#) and details how the proposed approach addresses them.

Risk identified	Mitigating measure(s) integrated into the proposed frontloaded cofinancing approach
<p><b>Resource mobilization.</b> The cofinancing partner might not increase resource mobilization for education.</p>	<ul style="list-style-type: none"> <li>• Arab Coordination Group partners have notionally allocated US\$ 400 million to the proposed approach over the 2021-2025 period.</li> <li>• This exceeds the US\$ 3 to US\$ 1 requirement for Multiplier allocations.</li> <li>• With allocations in place, the level of total allocations / cofinancing could be benchmarked against historical levels.</li> </ul>
<p><b>Crowding out.</b> Countries have less choice in terms of grant agents.</p>	<ul style="list-style-type: none"> <li>• The proposed approach would generate potential cofinancing offers that countries can choose to take up.</li> <li>• Countries can instead choose to implement their Multiplier allocation through other cofinancing partners / grant agents.</li> <li>• Other GPE grants can be implemented by any accredited grant agent.</li> </ul>
<p><b>Complexity.</b> A larger number of grant agents may increase transaction costs for governments.</p>	<ul style="list-style-type: none"> <li>• Governments would only prepare a grant application with a selected grant agent. The approach only increases the choices of potential grant agent.</li> <li>• GPE’s Grant Agent selection guidelines and safeguards would stay in place</li> </ul>
<p><b>Debt sustainability.</b> The resulting cofinancing may be a concessional loan.</p>	<ul style="list-style-type: none"> <li>• Expressions of Interest to secure Multiplier funds under the proposed approach would meet all existing standards, including consideration of countries’ debt sustainability.</li> </ul>
<p><b>Excessive targeting.</b> Only a few countries might be eligible.</p>	<ul style="list-style-type: none"> <li>• Thirty-seven (37) countries are jointly eligible for GPE and IsDB support.</li> </ul>

	<ul style="list-style-type: none"> <li>Any of these countries could benefit from the approach on a demand-driven basis.</li> </ul>
<p><b>Displacement.</b> The resources would be drawn from the overall share of GPE resources allocated to Multiplier grants, potentially reducing resources available for countries.</p>	<ul style="list-style-type: none"> <li>These funds would be available to the same countries at the same maximum allocation levels if the approach were not in place.</li> <li>This level of funding would account for less than 15% of Multiplier funds in the 2021-2025 period.</li> </ul>
<p><b>Mismanagement.</b> Committing funds through a partner organization may lead to resources being used ineffectively.</p>	<ul style="list-style-type: none"> <li>The proposed approach does not transfer resources out of GPE's accounts unless GPE's Board approves a grant application.</li> <li>The approach would lead to project-by-project commitments in the same way as all existing GPE grants.</li> <li>Any allocations / grants secured through the approach would meet all GPE quality assurance standards and be fully consistent with safeguards, including GPE's private sector policy and the policy governing misuse of funds.</li> </ul>

### Monitoring and transparency mechanism

- The framework below summarizes information collected for reporting purposes to ensure transparency.
- This enables participating institutions to regularly check if the approach is performing well. Program-level outcomes (for example, the number of children educated) are captured elsewhere, including the GPE Results Report. This tool focuses only on frontloading.
- This is an indicative version and can be updated.

Concept	Definition	Measurement(s)	Data source(s)
<b>Robustness pipeline</b>	Size and scope cofinancing opportunities presented to ACG members during the Clearinghouse Meeting.	<ul style="list-style-type: none"> <li>The number of potential projects presented.</li> <li>The total project scope for projects presented to the group.</li> <li>The financing gap of these projects indicated</li> </ul>	<p>Project identification template for presentation to the Clearinghouse Meeting.</p> <p>Data to be summed over six month or annual intervals as needed.</p>



		at the time of the clearinghouse meeting	
<b>Translation of pipeline to commitments</b>	Number of pipeline opportunities that evolve to the project preparation stage.	<ul style="list-style-type: none"> <li>• Number of projects ACG members indicate interest in cofinancing</li> <li>• Ratio of projects that ACG members indicate interest in cofinancing to projects presented at clearinghouse meeting</li> <li>• Number of expressions of interest (EOIs) confirming cofinancing.</li> <li>• Number of projects with financing agreements in place</li> </ul>	<p>Summary note of Clearinghouse Meeting listing projects of potential interest.</p> <p>Data on EOIs received by GPE.</p> <p>Information from participating cofinancing institutions confirming financing agreements.</p>
<b>Efficiency</b>	Time required to secure cofinancing and articulate projects	<ul style="list-style-type: none"> <li>• Time (in days) from interest indicated in Summary Note of Clearinghouse Meeting to GPE's receipt of Expression of Interest</li> <li>• Time (in days) from EOI receipt to approval (i.e. securing GPE grant finance)</li> <li>• Time (in days) from EOI approval to final management / Board approval of the project</li> </ul>	<p>Calculation based on date of Summary Note and data automatically recorded by GPE.</p> <p>Calculation of time from EOI approval to final Board approval by all cofinancing partners.</p>