the Education Commission

# Principles for the Design of the International Financing Facility for Education (IFFEd)

## Introduction

**There is an urgent need for action to address the education and learning crisis confronting us.** Analysis shows that we will not achieve Sustainable Development Goal 4 (SDG) for education by 2030 unless there is bold, urgent, and far-reaching action on the part of (1) countries themselves in committing to finance and deliver education and (2) the international community in keeping its pledge to support countries in achieving the SDGs.

For far too long, education has been neglected in our development priorities as the international architecture and scale of finance has not kept pace with the needs and demand arising from communities across the globe.

**Despite the enormous challenges, the International Commission on Financing Global Education Opportunity concluded that it is possible to make rapid progress**. Based on analysis of countries' progress in improving access to education and learning outcomes, it found that it is possible to get all young people into school and learning within a generation and to achieve the education SDG. This is the Commission's vision of the **Learning Generation**.

**To achieve the Learning Generation and the education SDG, the Education Commission proposed four education transformations in education systems around the world**: performance (putting results first), innovation (developing new approaches to achieve results), inclusion (taking measures to reach everyone), and finance (more and better investment and accountability).

**More specifically, with respect to financing the Commission called for:**

- mobilization of more domestic resources for education, through increased tax and reallocation of resources,
- an increase in the amount and effectiveness of international financing from all sources (e.g., including more multilateral grant financing through mechanisms such as the Global Partnership for Education (GPE) and the Education Cannot Wait (ECW) fund, bilateral and private foundations), and
- the establishment of a multilateral development bank (MDB) investment mechanism for education to deliver improved MDB financing in the sector and help governments transition to sustainable self-financing of education.

**As a follow-up to the recommendation to establish a multilateral development bank investment mechanism for education, the Education Commission has taken steps to design such a financial instrument.** At the recent G20 Summit in Hamburg, heads of state supported the further elaboration of a design for this MDB investment facility, an **International Financing Facility for Education**

**(IFFEd),** and confirmed in their communiqué that they *"look forward to examining it in further detail under Argentina's Presidency with a view to making recommendations on it."*

### *Development of Baseline Principles for IFFEd*

Leading up to and following the G20 Summit, the Education Commission sought feedback from civil society and other important stakeholders through extensive consultation on initial proposals concerning the design of IFFEd. During this period, the Education Commission disseminated concept notes and technical proposals for expert consultations. Additionally, through technical working groups, webinars, presentations at events and meetings, and bilateral meetings with stakeholders, the Commission has taken on board feedback from a variety of stakeholders including: civil society, NGOs, multilateral development banks, UN agencies, global education funds (e.g. Global Partnership for Education (GPE) and Education Cannot Wait (ECW) ), potential beneficiary countries, contributor countries and financial institutions.

From September 2017 until early 2018, the Education Commission has focused on the technical design processes to allow other complementary funds, especially the GPE, to engage in their replenishment activities.

The technical design process consisted of direct consultation with donor agencies, multilateral agencies and the multilateral development banks on the financial innovations underpinning IFFEd. The third and final working group session concluded with a session involving interested donor agencies; Argentina as President of the G20; representatives from the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, the Inter-American Development Bank and the World Bank. Representatives from the ECW, GPE, UNESCO and Education International also participated.

Following these meetings, a business case and technical design document will be prepared for donor and MDB negotiations mid-year. An updated draft technical design document will be posted on the Education Commission website in late April: educationcommission.org/IFFEd

Through consultations and active listening over the past year, the Education Commission has developed a set of baseline principles to guide the final design of IFFEd. Feedback received to date has been taken into account, and most importantly, the perspectives of countries potentially benefiting from IFFEd financing.

These principles are now being shared more widely with a view to soliciting additional comments and feedback from a broader community of stakeholders interested in the Sustainable Development Goals, and in particular, in the achievement of SDG4 for education. Such feedback will inform IFFEd's development and, in particular, serve as an input into the formal negotiations to be undertaken by the contributors and MDBs.

### *Consultation Process and Timeline*

The following principles are being shared widely with a view to solicit further feedback from a broad community of stakeholders interested in the Sustainable Development Goals, and in particular, in the achievement of SDG4 for education.

The feedback on these principles will be published following the consultation period and used to serve as an entry point to influence and guide several key points during IFFEd's development:

- **May 2018:** Contribute to the development of the proposed business model for IFFEd which will be used to solicit advice on the facility's structure for an optimal credit rating

- **June-August:** Inform the contributor/MDB negotiations on the IFFEd design

- **Throughout 2018:** Guide aspects of the public campaign which will encourage contributors to establish and contribute to the IFFEd facility, including through guarantees

- **2019 and onwards:** Influence MDB decision-making on programs which use IFFEd financing to expand investment in education aligned with government-led priorities and national education sector plans

We are seeking feedback from civil society actors to (1) identify which principles are most important, (2) solicit ideas for any modifications to be considered, (3) provide any additional guidance for contributors and MDBs which is missing from the principles, and (4) map constituencies and assets for the mobilization phase.

**Timeline**

- **In April 2018, the principles will be circulated widely through civil society networks** and posted online.
- **April 23, 2018:** The Education Commission will convene a webinar to present the principles, answer questions and provide clarification, and share views.
- **May 15, 2018:** Participants will be encouraged to submit feedback using an online form by this date.
- **June 2018:** Following the process, adjustments will be made to the final set of principles and a report will be published detailing the diversity of perspectives on the principles. The report will be posted online and made available to contributors and MDBs to guide their negotiations.
- **July 2018 Onwards:** Civil society will be updated on the timeline and activities to move forward the work to establish IFFEd and encouraged to support these activities.

## *Baseline Principles for Consultation*

1. **IFFEd should raise *additional* finance to help close the education financing gap and drive the achievement of the education Sustainable Development Goal.** IFFEd will add value and complementarity by mobilizing substantial *new* financing for education at affordable terms. With its innovative approach to funding, IFFEd should focus on the mobilization of financing currently not available to the education sector through existing institutional arrangements.

To meet the challenge of achieving the Learning Generation, all sources of finance (domestic and international) will need to be increased, including through taxation and increased international support. IFFEd's design will seek to incentivize greater domestic investment in education. It should complement the existing international financial architecture by mobilizing financing that is *additional* to what is currently available.

2. **IFFEd financing should be used to strengthen existing systems in eligible countries that commit themselves to improving education outcomes and to enhancing their capacity to deliver results, measured in terms of accountability for achieving nationally owned and set targets.** IFFEd should support countries that commit to transformational reform and domestic investment in their education systems to achieve increased access, learning, and equity.

   For an eligible country to access IFFEd funding, it will be required to show (a) evidence of a credible education sector plan, (b) ability to take on additional lending through the MDBs, (c) country agreement to prioritize education within its national budget (target to be agreed) and increase or maintain its domestic education budget as necessary to meet the target and (d) agreement on integrating results-based approaches to achieve nationally owned targets. The required evidence of commitments and data on a baseline case (where country is before IFFEd funding) are to be included in the country lending package. By providing an incentive for countries to use MDB financing for education, IFFEd should catalyze more domestic financing to the education sector.

   **As part of systems strengthening, IFFEd should respect and promote inclusive national education sector policy planning and implementation processes that include civil society participation and engagement of the local education groups.** The important role civil society plays in the current education planning and financing should not be replicated or replaced. This continued engagement of civil society actors at country level is an important aspect for the achievement of the SDGs and should be encouraged.

3. **IFFEd should embrace the SDGs and a holistic, inclusive approach to learning when considering eligible investment areas.** IFFEd's resources should be programmed to respond to country needs and strategies. Financing should be made available for any education-related initiatives or reform efforts that are consistent with a country's strategy and plans to enhance access, learning, and equity (including early childhood, primary, secondary, post-secondary, and vocational opportunities, as well as education interventions for girls and young women, children with disabilities and other marginalized groups, etc.). IFFEd funding should encourage performance, inclusion and innovation principles outlined in the Education Commission report, allowing systems to respond to the demands of education in the 21st century with a particular focus on equity and the notion of progressive universalism. Moreover, once established, IFFEd should have in place controls to ensure funding is used to close – not widen – equity gaps.

4. **IFFEd should reinforce the relationship between international finance and domestic resource mobilization.** IFFEd financing should be made available to governments committed to increasing domestic financing for education now and into the future. It should be a tool to help countries move towards long-term domestic financing for education through an increasing percentage of GDP spent on education, achieved through larger tax base revenue and budget reallocations.

   IFFEd should measure domestic resource targets as a percentage of the budget dedicated to education while also encouraging an increase in the overall percentage of GDP dedicated to education, so as to encourage additional tax base reforms, aligned with the Education Commission targets.

   To maximize the dissemination of public goods to inform civil society activities, IFFEd should make data and projections on education financing for IFFEd eligible countries public so that organizations focused on funding education through domestic tax reforms, including corporate tax and loopholes, can use this data to inform their complementary efforts in countries.

5. **IFFEd should be a financial mechanism and not an implementation or delivery organization.** Given the evidence on concessional and non-concessional finance presented in the Education Commission's report, IFFEd's priority should be to generate additional financing capacity through the MDBs for investment in education. To strengthen existing mechanisms and avoid fragmentation, IFFEd financing in countries should be channeled through the existing financial institutions as they already have country presence, participate in the process of preparing and monitoring education sector plans, and engage in donor coordination mechanisms. IFFEd should not be an additional actor within a country.

   As such, IFFEd should be a light-touch financial instrument and contribute to the policy planning processes that already take place at the country level through education sector planning and other government-led planning activities. The MDBs will be the institutions interfacing with the facility and will initially include the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, and the World Bank. Once established, IFFEd may consider if and how to engage with national development banks and other financial institutions.

6. **IFFEd should be a complementary tool for education finance and work alongside the existing actors in the global education financing architecture.** Given that the primary focus of IFFEd should be to create additional financial capacity within the MDBs for gap-filling funding in countries where *additional* concessional finance could help achieve SDG 4, it is anticipated that there will be minimal overlap with existing mechanisms. The primary beneficiaries of additional IFFEd finance should be lower-middle income countries with external financing gaps in excess of current aid.

   Coordination will occur at the country level. IFFEd will work through the MDBs, currently the largest providers of aid to education, which will align efforts with local coordination mechanisms, sector plans and government-led processes to determine how additional resources could be used for education. In countries where IFFEd-generated finance can complement existing international efforts, including bilateral aid or multilateral aid from Global Partnership for Education, UNICEF, Education Cannot Wait, or MDBs, the MDB partners will coordinate in country before presenting a lending package to IFFEd.

7. **IFFEd should make the additional financing it creates available to eligible countries impacted by refugee flows, emergencies or natural disaster. In the cases of refugees, if deemed an appropriate source of finance, additional provisions should be considered for principal payments.** MDBs may use IFFEd financing to support countries impacted by emergencies in close coordination with Education Cannot Wait and other actors. For instance, eligible countries may wish to use IFFEd finance to rebuild following a natural disaster. Should any country normally ineligible (e.g. an upper-middle-income country) be faced with an emergency situation (e.g. high-burden refugee flows), IFFEd could make its concessional financing available as long as it is considered complementary as part of a long-term multiyear funding model. Additional innovations should be considered for these countries, including more concessional terms for repayment in these circumstances or allowing donors or philanthropists to pay off the principal to avoid placing the burden on refugee-hosting countries.

8. **IFFEd should provide funds for government-led education initiatives.** IFFEd should support governments in achieving their national education goals. Governments should lead in determining educational priorities and how to deliver education aligned with the right to education and SDG 4. NGOs, delivery agents or other actors (e.g. religious institutions) should be eligible to receive financing through their governments only if the actors are appropriately regulated and permitted to operate by the government, consistent with education sector planning and government ownership practices.

9. **Teachers should be supported through IFFEd financing.** Activities to support the training, professional development, lifelong learning of teachers and enhancement of the teaching profession should be eligible for IFFEd funding.

10. **IFFEd funding should be accountable to children, young people and teachers by contributing towards tangible improvements in learning.** Recognizing that the international community has conducted three highly inclusive and detailed processes of education indicator selection in the last two years – the education SDG, the GPE results framework, and the ECW results framework – IFFEd's results framework should be aligned with these other frameworks.

    An IFFEd results framework should adhere to the following principles:

    - *Alignment* to the education Sustainable Development Goal, country strategies and plans, and indicators already in use by the international community;
    - *Proportionality*: indicator selection should be prioritized and proportionate taking into account existing means to collect data;

- *Evaluability*: results should be mapped to a 'Theory of Change' and provide the basis for evaluating whether and how the IFFEd is working and what results it is delivering;
- *Accountability*: IFFEd should be accountable to its beneficiaries, partners, and funders.

11. **IFFEd should prioritize achievement of SDG 4 over bureaucracy by maintaining very lean management through a self-sustaining secretariat and structures to promote aid effectiveness.** Following its inception, IFFEd's business model should be solely self-financed and not require additional donor financing to operate. Once fully established, IFFEd's revenue stream should provide sufficient revenue to cover its administrative costs, including its secretariat. The cost of the secretariat will not grow beyond its revenue, and it will be modest in size given IFFED's role as a financing mechanism and not an implementing organization. This will ensure the staffing remains small and consistent with the size of the operation.

12. **IFFEd should engage in responsible financing by acknowledging that debt financing is not appropriate for all countries.** While many countries are able to use debt-financing as they move to the next level of sustained domestic resource mobilization for education, some countries are not able to sustainably take on additional debt. IFFEd financing should only be made available to countries that have the ability to take on additional debt financing for education. MDBs would be asked to certify that IFFEd investment would not raise debt sustainability issues prior to any approval of financing. While the Debt Sustainability Framework is in place for low-income countries, MDBs routinely assess debt sustainability as normal procedure for financing risks in lower-middle income countries. All lending packages should include a discussion of the MDB's assessment of the country's debt sustainability. No debt financing should be made available to countries deemed at high risk of debt sustainability.