IFFEd CIVIL SOCIETY
CONSULTATION SUMMARY

The International Finance Facility for Education

the Education Commission

the
Education
Commission

International Finance Facility for Education

Civil Society Consultation: Summary Report

Introduction

The International Commission on Financing Global Education Opportunity put forward a plan to finance Sustainable Development Goal 4, entitled *The Learning Generation: Investing in education for a changing world.* The financing plan calls for action on several fronts, including:

- Domestic resource mobilization – which includes ending tax avoidance and reaching domestic spending targets for education
- An increase in international aid – particularly for low-income countries, with more funding channeled through multilateral partners like the Global Partnership for Education and the Education Cannot Wait fund
- The establishment of a multilateral development bank investment mechanism – commonly known as the International Finance Facility for Education (IFFEd), to bridge the external financing gap

Consultations have been held with potential beneficiary countries, potential contributing countries, the multilateral development banks, and civil society organizations. Over the course of two months during April and May 2018, over 50 civil society organizations (CSOs) responded to a call for feedback on a set of baseline principles to guide the design of IFFEd and its operations. The principles were shared widely to solicit feedback from a broad community of 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 multilateral development banks (MDBs) on what is missing from the principles, and (4) map constituencies and assets for the mobilization phase.

The constructive and important recommendations from the respondents have helped strengthen the principles by which the Facility can achieve its goals and mobilize additional resources to achieve SDG4. Following the feedback, the Education Commission has updated and, where relevant, clarified in greater detail the principles and criteria underpinning the Facility. In addition, the Commission has benefited from the feedback solicited from this consultation period to inform and adjust the technical design of IFFEd. As a result of this consultation, the Commission has released:

1) The **summary report below**, outlining various issues which were raised in the consultation from civil society and how they have been addressed
2) A **revised set of principles** intended to form the basis of the Facility's design and operations
3) A **technical design document** which addresses the concerns raised in the consultation

The summary report details the diversity of perspectives received and how the Education Commission addressed various points of feedback in the principles and the technical design document.

The revised principles will be used to:

- **2018:** form the basis for contributor, recipient and MDB negotiations on the IFFEd design
- **2019 and onwards:** influence the operations of the Facility – and multilateral development bank decision-making on using IFFEd financing – to expand investment in education programs aligned with government-led priorities and national education sector plans.

Consultation Feedback, Suggested Modifications, and Guidance

Civil society actors were asked what ideas they had for modifying the principles and whether they had additional guidance for potential contributors, beneficiary countries, and the multilateral development banks as they negotiate the Facility's design. The following provides a summary of the views received on the principles and the specific issues raised on a consistent basis among respondents.

As many of the comments spanned several different principles, the feedback summary is organized by theme. Each section provides a summary of the views and an explanation of how the feedback has been integrated into the principles and the technical design document.

Efficient, Scaled-up, Affordable, and Sustainable Financing

Issue 1: Domestic Resource Mobilization

The basic purpose and intention underlying IFFEd is not just to increase international resources available to education, but to also incentivize more domestic resources for education. Most respondents agreed that IFFEd must promote increased domestic financing for education, recognizing that domestic financing will account for most of the financing needed to achieve SDG 4. Some organizations suggested that the principles should articulate clearer targets or benchmarks for domestic investment, such as 4-6% of GDP or 20% of national budgets.

Some respondents shared the concern that the countries most in need of assistance are those without the capacity to mobilize domestic resources or make good use of available resources, particularly countries in crisis.

How the feedback was addressed:
The technical design document and principles align with current targets and norms set by the education community such as the recommendation to spend an average 4-6% of GDP for education, or 20% of national budgets. To incentivize progress on domestic resource mobilization for each country, a review of the performance of funding for education will be examined prior to subsequent funding from the Facility.

As part of IFFEd's eligibility criteria, which will be monitored closely, a country will be expected to commit to increase domestic spending on education to an agreed target (or maintain spending, where such funding is already at an agreed level). It is noted that GPE has developed procedures to assess the additionality of domestic funding and that IFFEd will consider how best to align its process with those procedures to promote consistency across funding instruments and harmonization and alignment at the country level.[1]

To assess capacity for domestic resource mobilization, existing measures and instruments will be used so that targets are credible and realistic; the Facility would work with the MDBs and other actors who have tools to make these assessments.

The technical design document discusses how MDBs are uniquely placed to strengthen domestic resource mobilization and increase efficiency, effectiveness, and equity of public expenditure at the country level. The vast majority of MDB resources are spent by governments, in accordance with government policies and plans. MDBs' engagement on the full spectrum of a country's development agenda enhances the effectiveness of total government spending, including in education.

In the "Billions to Trillions: Transforming Development Finance" paper[2] prepared in advance of the Addis Ababa SDG financing conference, the MDBs and the IMF highlighted domestic resource mobilization and public expenditure efficiency and effectiveness as a critical area for their increased engagement. They committed to strengthening their tools and collaboration to enhance countries' capacity in these areas.

In response, the World Bank has partnered with the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development (OECD) and the United Nations (UN) to launch the Platform for Collaboration on Tax, which aims to boost countries' ability to build

---

[1] See, e.g. the December 2017 GPE Board document 'Domestic resources, monitoring of commitments and consequences when commitments to GPE are not met

[2] "From Billions to Trillions: Transforming Development Finance Post-2015 Financing for Development: Multilateral Development Finance" prepared jointly by the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the International Monetary Fund, and the World Bank Group for the April 18, 2015 Development Committee meeting.

more equitable, efficient tax systems and ensure that the interests of developing countries are taken into account in the growing international dialogue on tax reform. This effort builds on momentum from the 2015 Addis Tax Initiative (ATI), which sought to mobilize funding and country ownership for tax system reform. The Asian Development Bank also joined ATI and established a special DRM Trust Fund to enhance the Bank's engagement in this area.

Note on additional activities: In addition to IFFEd, the Commission is also continuing to push the domestic investment agenda. Through its general advocacy as well as more specific engagement with pioneer countries, the Commission specifically called for low- and middle-income countries to increase domestic public expenditures on education from an estimated $1 trillion in 2015 to $2.7 trillion by 2030, or from 4 to 5.8 percent of GDP. It also recommended that countries "leverage the dividend from growth by increasing spending on education, through reallocating spending, raising more revenues, or both," highlighting that "there are significant amounts of potential tax revenues that could be collected from reducing current tax avoidance and evasion." And where taxes can be raised, the Commission recommended it be done in an equitable and sustainable manner.

The Commission's Chair has launched an initiative to stop tax havens following the release of the Panama Papers and other revelations about wrongdoing. The petition, directed at G20 leaders, has already been signed by over 1.1 million people. It highlights that "trillions are still being siphoned off to dodge tax in the most shadowy places in the global economy" and that "it's one of today's greatest injustices, allowing the richest to stand aside while the rest of us pay for health, education, and protecting the most vulnerable." The petition calls for the G20 to take action on an international agreement that outlaws tax havens and imposes penalties and prison sentences on tax evaders.

The Commission has also sent high-level delegations to meet with leaders in over 20 countries, calling for greater domestic resource mobilization and more effective domestic spending on education.

Issue 2: Responsible Lending and Borrowing Practices

The World Bank and regional development banks are constructed around the provision of loan financing for middle-income countries in need of funds for investment in areas such as education, health, and infrastructure. IFFEd is intended to provide resources to lower-middle-income countries at the lowest possible cost and will provide support on terms far more favorable than commercial lending, or even World Bank IBRD lending.

Most organizations felt strongly that the Facility should not undermine the debt sustainability of partner countries. Many believe that loan mechanisms do not provide predictable and sustainable financing to assist governments in making long-term investments, particularly as returns to education do not materialize for many years. At the same time, some respondents suggested that applying strict debt sustainability criteria would make many countries ineligible, reducing the Facility's added value.

Respondents asked the Commission to specify how the Facility intends to verify a country's ability to take on additional financing, suggesting that the Facility should adhere to the UN Conference on Trade and Development (UNCTAD) principles on promoting responsible lending and borrowing and utilize new World Bank and IMF debt sustainability frameworks that take into consideration private debt and contingent liabilities. Some respondents asked for more clarity on whether debt sustainability assessments will be unique to each MDB or if IFFEd would encourage a uniform debt sustainability assessment, raising the issue of possible discrepancies.

Respondents suggested that the lending mechanism should recognize the shared responsibility of lenders and borrowers in ensuring debt is incurred in a transparent manner with sufficient parliamentary oversight. Some respondents emphasized that particular attention must be paid to the legitimacy and debt sustainability risks of loans in humanitarian contexts and fragile states.

In relation to possible debt crises, respondents suggested that if a restructuring of sovereign debt obligations becomes unavoidable, it should be undertaken promptly, efficiently, and fairly. To reduce risk, some respondents suggested a 20- to 30-year loan repayment period, with a 10-year grace period, with interest rates aligned with World Bank IDA loans.

How the feedback was addressed:
The Facility has honed its focus on providing finance to lower-middle-income countries (LMICS). These are countries where the bulk of out-of-school children live and where financing analysis demonstrates there is limited or no concessional financing available for education, thus leaving these countries with the unattractive options of 4%+ interest rates or commercial lending.

The Facility's design requires that all countries will be subject to a debt sustainability analysis prior to any lending to demonstrate that additional financing will not threaten debt sustainability. Moreover, lending will not be made to lower-middle-income countries which are in or at high risk of debt distress.

The overall purpose of the Facility will be to make financing available at reasonable rates. The Facility will use a grant component to significantly reduce rates and make financing much more concessional for countries. On average, the grant component for any country using IFFEd finance would be between 35 and 50 percent.

The Facility will work via the MDBs and not private lending institutions. This will provide additional safeguards and flexibility in the case of dramatic circumstances (e.g. natural disaster, shock, etc.). Furthermore, the principles and design have been updated to align with human rights standards as a matter of principle and it is now explicit that IFFEd finance will be:

> *…made available to MDBs which adhere to norms of maintaining sustainable debt levels consistent with the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, which noted the UNCTAD principles on responsible lending and borrowing, the requirements of IMF debt limits policy and/or the World Bank's non-concessional borrowing policy, and the OECD Development Assistance Committee statistical systems safeguards to enhance the debt sustainability of recipient countries. IFFEd financing should only be made available to countries that meet MDB standards through debt sustainability assessments based on comprehensive, objective, and reliable data. MDBs will be asked to certify that IFFEd investment will not raise debt sustainability issues prior to any approval of financing.*

We have carefully based our proposals on the well-known and widely accepted UNCTAD principles. Upon a second review of the UNCTAD principles, we found no contradiction between them and the design and objectives of IFFEd or its principles.

As reiterated in the original *Leaning Generation* report and repeated earlier in this document, action is needed on all fronts to sustainably finance education: increasing domestic resource mobilization, tackling tax avoidance and tax havens, increasing aid, and making lending much more concessional for education so that countries are not subjected to unreasonable terms. These strategies are not in competition with one another, but instead aligned and can support one another.

Note on additional paper that is now available: An additional paper has been prepared which provides additional data, evidence, and clarity on this issue, outlining the rationale for IFFEd and how the Facility adheres to best practice and agreed principles for borrowing and lending.

Issue 3: Additionality

Most civil society organizations agreed that IFFEd financing should not displace existing funds and some raised the concern that the creation of a new finance facility runs the risk of fragmenting aid to education and confusing donors. Respondents highlighted the need for a strong tracking mechanism to ensure that other concessional lending to education does not decrease, pointing out that undercutting investment in education would undermine IFFEd's overall purpose. To avoid displacing funds, some respondents emphasized that the Facility must provide evidence that it is satisfying unmet demand.

How the feedback was addressed:
The Commission agrees with the central importance of additionality as a key criterion for IFFEd's activities. This is at the heart of IFFEd's design and now a central part of IFFEd's theory of change and results framework. There are a number of ways that this is now recognized in the technical design document:

- The leveraging of resources by IFFEd funding is additional: IFFEd is a new source of funding, generating additional capacity for the MDBs which in turn can significantly multiple those funds to increase their available financing. The multiplier effect of the contingent financing/portfolio insurance can be measured easily.

- Funding is additional to MDBs: This can best be measured retrospectively for each replenishment period (every three to four years), comparing funding to earlier periods. Each MDB would be responsible to ensure additionality and provide evidence at the end of the replenishment period that its investment portfolio for education is on an upward trajectory. This will be measured by the size of an MDB's education portfolio and/or the trajectory of annual commitments during a replenishment period.

- With respect to domestic funding, the goal is to see domestic education spending trending upward. A country will be expected to commit to increase or maintain (where such funding is already at an agreed level set against ambitious goals required for financing) domestic spending on education to an agreed target. It is noted that GPE has developed procedures to assess the additionality of domestic funding and that IFFEd will consider how best to align its process with those procedures to promote consistency across funding instruments and harmonization and alignment at the country level.

Additionality is a major priority for IFFEd and measures have been put in place in the design to make the benchmarking and monitoring of funding for education from the MDBs a key feature of IFFEd's core activity. The purpose will be to ensure that overall concessional lending to the countries participating in IFFEd increases and that overall MDB financing for education increases, becomes more transparent, is tracked, and made public on an annual basis. MDB and domestic funding for education will be monitored and reported to the IFFEd governing body at the end of a replenishment period. As an incentive for additionality, performance of MDBs – in terms of increased funding for education – will be a criterion used to inform future engagement and portfolio allowances in between replenishment rounds. If targets are not met, the IFFEd governing body can decide whether a country or MDB will be eligible to receive additional funding in the next replenishment period.

By operating via existing actors at the country level, IFFEd's design also ensures it does not generate additional fragmentation. No new or additional intermediaries would be introduced to interface with beneficiary governments.

The technical design document now provides further details of the value-add of IFFEd in the architecture alongside the Global Partnership for Education (GPE), the Education Cannot Wait fund (ECW), and others. Additional analysis from the climate sector demonstrates that complementary instruments can lead to an upward spiral in aid (e.g. additional resources above current levels), which is the intention for the education sector. It is recommended that a case study be developed on this phenomenon to ensure the education sector can learn from the experience of climate.

Country and Program Eligibility

Issue 4: Program Eligibility

Many respondents highlighted the need to offer financing through IFFEd to a wide range of education levels and delivery models, in line with the breadth of SDG 4. If reflected in national priorities, respondents suggested that financing should be used for non-formal education, early childhood education, tertiary education, TVET, and adult education. Some organizations highlighted that lower levels of education should be prioritized due to higher rates of return on investment.

Looking beyond education, respondents proposed that financing be offered to support global public goods, such as research, global capacity building, and cross-border learning networks. In addition, respondents stressed the need to support cross-sector initiatives to strengthen the education ecosystem, including health, governance, and national accounting and statistics systems.

How the feedback was addressed:
Project eligibility has been refined in the principles and design document to "embrace the SDGs, including the full breadth of SDG 4, as well as a holistic, inclusive approach to learning when considering eligible investment areas." Explicit language is now integrated which specifically highlights non-formal education, lifelong learning, etc. The technical design is set

up to reinforce the notion of equity and progressive universalism as highlighted in the consultation with a proposed cap in place for higher levels of education to ensure investment is prioritized in the earlier years, including early childhood, primary, and secondary.

IFFEd funding is channeled through MDBs and directed to countries for activities aligned with national sector plans. To avoid duplicating efforts by other actors – including GPE, the ECW Acceleration Fund, UNICEF, and UNESCO as well as the MDBs – IFFEd will not focus on funding global public goods.

However, as a global public good in and of itself, IFFEd will publish annual data on MDB investments in education alongside benchmarks to ensure transparency and additionality of resources.

Issue 5: Monitoring, Accountability and Results

Some respondents welcomed the emphasis on an accountability approach, including requests for increased monitoring and strong data and evidence around equity and learning as related to the goals of SDG 4. Others cautioned that monitoring frameworks generate a risk of unintended negative consequences, including underinvestment in areas or countries where results are challenging to measure, diversion of resources away from children with more barriers to learning, or prioritizing short-term results over efforts to ensure equity and learning in the longer run. Some respondents emphasized the need to strengthen downward accountability to citizens rather than donor-driven priorities.

Some actors suggested that conditions and results frameworks should be aligned with Education 2030 agendas, GPE sector plans, and country-led education sector plans, to avoid the creation of competing agendas or new conditionalities.

How the feedback was addressed:

To address concerns and be responsive to comments on monitoring and accountability, the principles and design document acknowledge adherence to integrating results-based approaches to achieve nationally owned targets which must be consistent with the Paris Declaration on Aid Effectiveness.

As mentioned previously, IFFEd's results framework will align with SDG 4, country strategies and plans, and indicators already in use by the international community and not create new targets and metrics. This is now explained further in the technical design document.

Issue 6: Country Ownership

Many organizations welcomed the prominence of country ownership in the principles, recognizing that governments are the ultimate duty-bearers to provide inclusive and quality education. Some respondents, however, worry that loan conditionalities could undermine the commitment to respond to country needs and strategies. Others argue that funds should only be used to support national education plans that reflect the SDG 4 and Education 2030 agendas and are gender-responsive. Many civil society organizations encouraged the Facility to require that education sector plans are developed in dialogue with civil society and local education groups.

How the feedback was addressed:

The Facility principles and design will continue to place a focus on country ownership and the evidence of a credible education sector plan. At the country level, consistent with the Paris Declaration on Aid Effectiveness, the country's education sector plan will serve as the organizing framework for all activities.

To avoid duplication of activities, existing sector planning processes will be respected and observed. As part of systems strengthening, the principles have been amended to highlight IFFEd's encouragement and promotion of inclusive national education sector policy planning and implementation processes that include civil society participation, including women and girls' organizations, and engagement of the local education groups. Ultimately, the sector planning processes are supported by other organizations in the international architecture like GPE, not IFFEd.

Issue 7: The Private Sector

A number of responses were related to non-state actors in education, reflecting the tension around the role of the private sector in national education systems and broader debates in the field. Some organizations believe that the Facility should only support public education and not be used to the benefit of non-state actors and the private sector, worrying that private sector education provision undermines the goals of progressive universalism. Others suggest that funding must reflect the reality of how national systems operate – i.e., mixed systems of public and private financing and delivery – thus not constraining the policy choices of governments. Respondents argued that some private providers have helped the most marginalized children access schooling in areas where the government cannot reach.

In specific reference to public-private partnerships (PPPs), some respondents recognized the comparative advantages of the MDBs as delivery partners in catalyzing funding from the private sector while safeguarding equity. On the other hand, some respondents are concerned that PPPs entail more risk for governments.

How the feedback was addressed:
Given the poles of the debate, the Facility's design will use human rights norms and the SDG framework for programming priorities. IFFEd's main offer is a financing for developing country governments who are the clients of MDB lending packages. This financing will supplement government's domestic public spending on education.

Allocation of the overall financing (domestic and external public) will be guided by education sector plans developed in accordance with the standards set by GPE. Governments will lead in determining priorities and how to deliver education aligned with the right to education and the SDGs. IFFEd funding will be used to support governments in achieving their national education goals and the SDG targets, <u>which includes free, equitable, and quality primary and secondary education</u>. This is now clearly outlined and explicit in the principles.

To avoid fragmentation and duplication, IFFEd will defer to the priorities set by governments in their existing sector planning processes and norms currently administered by other actors in the global education financing architecture, primarily GPE. Priorities on delivery agents are largely decided in the sector planning process (which IFFEd will not administer). IFFEd would be used to provide funding to credible plans developed through these processes, which respect and promote inclusive national education sector policy planning and adhere to the country-led priorities as outlined in the 2005 Paris Declaration on Aid Effectiveness and 2008 Accra Agenda for Action.

Advocacy efforts on private sector engagement should be directed to national-level discussions and dialogues in the sector planning process. Beyond the guidelines of the SDG framework and human rights norms, priorities will be driven by governments' planning.

IFFEd's current design is limited to lending through the <u>public sector</u> arms of the MDBs (sovereign lending). Any future development of engagement with the MDBs' private sector arms will be subjected to due process.

Issue 8: Equity, Inclusion and Gender

Many organizations asked for clearer specifications of how funds will enhance equity, particularly in relation to gender, ethnicity, and children with disabilities. There were specific recommendations on gender-responsive sector planning. Some respondents raised concerns that funding should not be absorbed by whole education systems, but explicitly directed to addressing disparities and minimizing inequality. This could require equity targets to be a core requirement of any investment case, accountability mechanism, and transparency effort.

How the feedback was addressed:
Amendments were made to the principles and the design to address the issues of equity, inclusion, and gender. Program eligibility includes education interventions for girls and young women as key aspects of equity and inclusion.

The principles state that IFFEd will support countries that commit to transformational reform and domestic investment in their education systems to achieve increased access, learning, and equity. In line with SDG 4, it is explicitly acknowledged that IFFEd's use of resources will prioritize equity, reduce inequality in education, and acknowledge the costs associated with reaching the most marginalized when proposals for funding are developed. Statements are now included in the principles which reference inclusive education, consistent with the Convention on the Rights of Persons with Disabilities.

While sector planning with regards to gender is overseen by other actors in the global education architecture, IFFEd will encourage sector planning which is inclusive of civil society participation, including women's and girls' organizations. Moreover, the principles now explicitly state that IFFEd will welcome gender-responsive education sector plans, agreed within the existing processes for sector dialogue, including with civil society, through the UNGEI/GPE Guidance for Gender-Responsive Education Sector Plans.

The technical design paper now discusses how IFFEd financing will be programmed through the MDBs and therefore be subject to the MDBs' extensive programming guidelines. All MDBs are firmly focused on poverty reduction and on equity, at the strategic level and in their operational policies and procedures. They have well-developed and well-monitored processes with regards to environmental and social safeguards. A strong comparative advantage of the MDBs lies in their *systems* approach, which enables the MDBs to address equity and disadvantaged population groups through whole system reform, e.g. addressing how resources are allocated across the entire education system.

The design paper elaborates on the increased attention in MDB operations and programs on gender equity. The evolution of the international policy framework and institutional gender mainstreaming has been mirrored in the MDBs, which have all developed internal units, policies, strategies, and monitoring frameworks for gender. This includes a recognition that mainstreaming alone is insufficient to narrow persistent gender gaps, and targeted investments are needed to address disparities. MDB monitoring systems are also evolving to better measure how programs address gender issues, including through more strategic and targeted investments that address key gender gaps.

Legal Structure and Governance

Issue 9: Governance

Some civil society actors raised concerns that a self-sustaining secretariat creates an unnecessary layer of administration and is in tension with the commitment to avoid duplicative efforts. Others argued that a governance mechanism is needed among implementing partners to avoid corruption and waste. Some respondents suggested that a formal governance structure should include representatives from teachers' organizations and civil society.

How the feedback was addressed:
The objective is to have a small, focused secretariat on the financial management and monitoring of MDB financing for education, an area currently not covered in the existing architecture. This will create additional data and evidence for civil society to monitor the activities of MDB funding for education.

The design document now provides additional details on the terminology "self-sustaining secretariat," clarifying that the term is used to indicate the Facility will not grow larger than its operational funding allows (e.g. it will not request additional funding from donors to operate or expand its activities). This is intended to keep a narrow and focused mission that will not expand beyond its core objective.

To address the issue of duplication, IFFEd's design focuses specifically on the finance role and all projects presented for funding will need to meet criteria set out in an inclusive sector planning process and be approved at a national level. For credit worthiness of the Facility (e.g. to achieve the highest credit rating possible and thus ensure the best terms of funding for beneficiary countries), a strictly financial board will be established. The governance mechanism will consist of financial representatives from the contributing and beneficiary countries focused explicitly on financial management and appropriate safeguarding. There will be no programmatic governance as activities on program design will take place through existing actors, thus not duplicating existing efforts undertaken by GPE, local education groups, and civil society organizations at the country level. This will also allow for a streamlining of activities and participation of teachers and CSOs, so as not to fragment attention away from engagement in the policy priorities at the country level through sector planning.

Architecture

Issue 10: Complementarity and Alignment

Respondents suggested that the Facility must be harmonized with existing international agreements and funding mechanisms related to education.

In particular, respondents suggested that IFFEd align with the agendas of Education 2030 and SDG 4, highlighting the need to mirror the breadth of these goals, including commitments to support lifelong learning, education quality, and reaching the most marginalized.

Some organizations also suggested that IFFEd should support and interact with existing mechanisms in partner countries, including GPE, ECW, UNICEF, and the MDBs. Respondents emphasized that duplication could deplete the capacity of all stakeholders and dilute efforts. On the other hand, some respondents questioned the efficacy of existing mechanisms and welcomed new, creative financing models to encourage donors to be more effective partners.

In addition, respondents highlighted the importance of building partnerships with sectors beyond education, including health, climate, and humanitarian efforts.

How the feedback was addressed:
The new iteration of the design document has been developed in close consultation with various key partners active in the education architecture including the Global Partnership for Education and the Education Cannot Wait fund to assure maximum alignment.

The principles have been adjusted to specify that the Facility will support the full breadth of SDG 4 and its targets. The principles for the design and operations now explicitly reference human rights norms and alignment with the 2005 Paris Declaration on Aid Effectiveness, the 2008 Accra Agenda for Action, and the Addis Ababa Action Agenda of the Third International Conference on Financing for Development.

The design document has been further refined to ensure that IFFEd occupies a specific role in the international aid architecture that currently does not exist and cannot be fulfilled by the current aid structure. Annex 6 details how IFFEd fits within the architecture and how it will work with other structures at the global and national level.

Complementarity is assured in eligibility criteria as well as in the governance structure. For example, to ensure that IFFEd aligns with countries and existing mechanisms, one of IFFEd's eligibility criteria is that MDB financing can only be used to back national sector plans supported by GPE or with standards and processes recognized by GPE.

Additional Feedback

Process and Design

In relation to the ongoing design of IFFEd's structure, CSOs emphasized the need for the meaningful inclusion of beneficiary country representatives and civil society groups in the negotiation process. Respondents also called for better transparency during the negotiation process and a commitment to follow international best practices for transparency in financial reporting. Respondents also asked that the physical home of the Facility reflect best practices in accessibility and inclusion of disabled individuals.

How the feedback was addressed:

The feedback through this consultation has been integrated directly into a revised set of principles and into the technical design document for the Facility which will be the basis of further discussions.

Potential beneficiary countries have been convened on three occasions to solicit views and feedback and additional bilateral meetings and outreach have taken place at international meetings and regional events to ensure an ongoing dialogue and that the Facility is designed to meet the countries' needs. Additional opportunities will be made available for this dialogue to continue as the design is further finalized through formal consultations and negotiations.

While the physical address of the IFFEd secretariat has not yet been determined, we will make note of the accessibility and inclusion recommendations.

Prioritization of the Principles

CSOs were asked to select the principle(s) they consider most important. A majority of the participating CSOs selected **Principle 2**, which states: "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." Many organizations felt this was important given it highlights civil society participation and the strengthening of national systems.

Principles 3, 6, and 1 (since renumbered) followed in importance, which highlighted IFFEd's adherence to inclusivity, complementarity, and additionality. CSOs commented that while financing for education is needed, it will not be enough – a coordinated and inclusive approach will spark the investment and energy needed to close remaining gaps.

When allowing only one vote per organization, **Principle 10** – "IFFEd funding should be accountable to children, young people, and teachers by contributing towards tangible improvements in learning" was viewed as particularly important. The principle focused on the inclusion of teachers, in particular, generated significant attention. **Principles 5** (IFFEd as a financing mechanism) **and 11** (IFFEd as self-sustaining) were comparatively less important to CSOs in terms of ranking.

How the feedback was addressed:
The relative order of the principles was adjusted in the revised version of the principles to reflect the issues of systems strengthening and civil society participation at the start. The principle on teachers was elevated to be included in the principle on the SDGs with specific reference to SDG 4-C (as highlighted in the feedback).

Responses to technical questions
Several technical questions were raised in the feedback. The feedback has been integrated into the revised principles below and the technical design document which is now available online. This technical design paper provides additional clarity on the Facility and how it will work. Additionally, a short note explaining answers to debt sustainability issues raised in the civil society consultations has also been issued to assure all parties that the design work and analysis is aligned with best practices in responsible lending and borrowing and the calls to action by civil society on this issue.

Revised Baseline Principles

1. IFFEd financing will 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 will 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 sustainably utilize additional lending through the MDBs, (c) country agreement to prioritize education within its national budget (e.g. average 4-6% of GDP for education, or 20% of national budgets, aligning with current targets and norms set by the education community) 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 consistent with the Paris Declaration on Aid Effectiveness. The required evidence of commitments and data on a baseline case (where a country is before IFFEd funding) are to be included in the country financing package. By providing an incentive for countries to use MDB financing for education, IFFEd will catalyze more domestic financing for the education sector.

At the country level, consistent with the Paris Declaration on Aid Effectiveness, the country's education sector plan will serve as the organizing framework for all activities. IFFEd will respect and promote inclusive national education sector policy planning and implementation processes that include civil society participation including women's and girls' organizations, and engagement of local education groups. The important role civil society plays in the current education planning and financing will not be replicated or replaced. This continued engagement of civil society actors at country level is an important aspect for the achievement of the Sustainable Development Goals (SDGs) and will be encouraged. IFFEd will also welcome gender-responsive education sector plans, agreed within the existing processes for sector dialogue, including with civil society, through the UNGEI/GPE Guidance for Gender-Responsive Education Sector Plans.

2. IFFEd will embrace the SDGs, including the full breadth of SDG 4, as well as a holistic, inclusive approach to learning when considering eligible investment areas. This includes target 4.1, which ensures that all girls and boys complete free, equitable, and quality primary and secondary education leading to relevant and effective learning outcomes. IFFEd's resources will be programmed to respond to country needs and strategies. Financing will 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, postsecondary, vocational opportunities, lifelong learning, non-formal education, technology, as well as education interventions for girls and young women, children with disabilities, rural children and other marginalized groups, etc.).

Use of IFFEd resources will prioritize equity, reduce inequality in education, and acknowledge the costs associated with reaching the most marginalized. IFFEd funding will be available to provide inclusive education, consistent with the Convention on the Rights of Persons with Disabilities. Cross-sector collaboration will be encouraged when there is a direct benefit for improving education and special emphasis will be placed on gender equity and issues contributing to gender inequity in education. IFFEd funding will encourage education systems to respond to the demands of education in the 21st century with a particular focus on equity and the concept of progressive universalism. Moreover, once established, IFFEd will have in place controls to ensure funding is used to close – not widen – equity gaps and to leave no one behind.

In alignment with SDG 4.C which calls for a substantial increase in the number of qualified teachers, teachers will be eligible beneficiaries of IFFEd financing. Activities to support the training and professional development of a country's teaching force and enhancement of the teaching profession will be eligible for IFFEd funding.

3. IFFEd will 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 will 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. IFFEd will not duplicate work or structures, and it will minimize any transaction costs and have in place safeguards to ensure accountability of its resources. The primary beneficiaries of additional IFFEd finance will be lower-middle-income countries with external financing gaps that exceed 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 and provide additional funding alongside existing international efforts, including bilateral aid or multilateral aid from the Global Partnership for Education, UNICEF, Education Cannot Wait, IDA or other MDB concessional and non-concessional finance, the MDB partners will coordinate in country before presenting a financing package to IFFEd. IFFEd will track and report annually on the additionality of its funding and the funding levels of the MDBs. IFFEd will operate in alignment with the 2005 Paris Declaration on Aid Effectiveness and 2008 Accra Agenda for Action.

4. IFFEd will 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 will 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.

5. IFFEd will reinforce the relationship between international finance and domestic resource mobilization. IFFEd financing will be made available to governments committed to increasing domestic financing for education now and into the future. It will 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 will measure domestic resource targets as a percentage of the budget dedicated to education (in line with international targets) while also encouraging an increase in the overall percentage of GDP dedicated to education, so as to encourage additional tax base reforms.

To maximize the dissemination of public goods to inform civil society activities, IFFEd will 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.

6. IFFEd funding will 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 existing frameworks.

IFFEd's results framework will 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 IFFEd is working and what results it is delivering;
- Accountability: IFFEd should be accountable to its beneficiaries, partners, and funders.

7. IFFEd will 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 *Learning Generation* report, IFFEd's priority will be to generate additional financing capacity through the MDBs for investment in education. To strengthen existing mechanisms and avoid fragmentation, IFFEd financing in countries will 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 will not be an additional actor within a country.

As such, IFFEd will 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.

8. IFFEd financing may be used 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 financing to rebuild following a natural disaster. Additional innovations will be considered for these countries, including more concessional terms for repayment or allowing donors or philanthropists to pay off the principal to avoid placing any additional burdens on refugee-hosting countries. Particular attention will be paid to debt sustainability and the legitimacy of the loan in humanitarian contexts and fragile states.

9. IFFEd will provide funds for government-led education initiatives. IFFEd will support governments in achieving their national education goals and the SDG targets, including free, equitable, and quality primary and secondary education. Governments will lead in determining educational priorities and how to deliver education aligned with the right to education and the SDGs. NGOs, delivery agents, or other actors (e.g. religious institutions) will 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.

10. IFFEd will prioritize achievement of SDG 4 over bureaucracy by maintaining very lean management through an administrative unit that requires no additional donor finance to operate once established and structures to promote aid effectiveness. Following its inception, IFFEd's business model will be solely self-financed and not require additional donor financing to operate. The cost of the administrative unit 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.

11. IFFEd will engage in responsible borrowing and lending practices and recognize debt financing is not appropriate for all countries. While many countries are able to use debt financing, in particular at concessional terms, 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 funding will be made available to MDBs which adhere to norms of maintaining sustainable debt levels consistent with the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, which noted the UNCTAD principles on responsible lending and borrowing, the requirements of IMF debt limits policy, and/or the World Bank's non-concessional borrowing policy, and the OECD Development Assistance Committee statistical systems safeguards to enhance the debt sustainability of recipient countries.

IFFEd financing will only be made available to countries that meet MDB standards through debt sustainability assessments based on comprehensive, objective, and reliable data. MDBs will be asked to certify that IFFEd investment will 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 will include a discussion of the MDB's assessment of the country's debt sustainability. The level of debt sustainability will be taken into account when assessing the level of concessionality.

#MakeImpossiblePossible

the
Education
Commission

The International
Commission
on Financing Global
Education Opportunity

@educommission
info@educationcommission.org
educationcommission.org