There is no better investment in our future than education. In today’s global economy and society, investments in human capital are essential and smart. Quality education is absolutely vital to lift people out of poverty, ensure healthier families, unlock job opportunities, increase security, and create more stable and peaceful societies; it is the workhorse of all other SDGs. Tragically, the unrealized potential of children deprived of schooling in countries like Bangladesh, Nigeria, Kenya, and Pakistan represents a permanent loss of potential that can never be recovered.

Affordable international funding for education in LMICs is highly constrained – in part due to the ineligibility of most of these countries to receive concessional (low-interest, below market) financing from the multilateral development banks (MDBs). More than 40% of the world’s poor live in LMICs, and over 250 million children – including children in LICs – are out of school. A $100 billion education financing gap exists particularly for LMICs. Investments in basic education today will pay off in healthier families, unlock job opportunities, increase security, and create more stable and peaceful societies. The International Finance Facility for Education (IFFEd) aims to help mobilize $500 billion in additional education investment. In today’s global economy and society, investments in human capital are essential and smart. Quality education is absolutely vital to lift people out of poverty, ensure healthier families, unlock job opportunities, increase security, and create more stable and peaceful societies; it is the workhorse of all other SDGs. Tragically, the unrealized potential of children deprived of schooling in countries like Bangladesh, Nigeria, Kenya, and Pakistan represents a permanent loss of potential that can never be recovered.

Financing an education compact

The International Finance Facility for Education (IFFEd) was born from the recognition of the world’s education crisis. The facility is designed to address the international education financing challenge, leveraging innovative new investment tools to support the million poor and marginalized children and youth who are out of school. IFFEd announces it has a fundraising target of $1 billion for its first five-year programming period, aiming to mobilize at least $10 billion in new education financing. The facility aims to support the education needs of nearly 50 countries that are home to some of the world’s most marginalised children and youth.

Who will benefit?

Nearly 50 countries may benefit, subject to eligibility criteria. This includes populous countries with large poor and marginalized populations. The number of eligible countries will grow as more gain LIC status over time. The figure above identifies the 50 countries eligible for investment. Traditional grant and concessional education investment for each country represents a maximum of $100 million in guarantees and $100 million in grants. The guarantees are performance-based, and one of the products of IFFEd is to make the market place more attractive to investors. The guarantees are offered in favor of LMIC education projects being implemented by the Bank of Development with a joint commitment from the participating MDBs. If the local currency becomes weak and borrower fails to make payments, the guarantees provide a buffer against losses. Only if the borrower fails to pay the MDB will IFFEd pay the borrower, with 90% of guarantees paid out. IFFEd will be a 50:50 co-funder, and once the loans mature, IFFEd will provide grants to the MDBs. The guarantees are also partly backed by charitable “guaranteed” contributions from the World Bank Group’s International Development Association, Asia Development Bank and International Finance Corporation.

Impact at scale

The International Finance Facility for Education (IFFEd) has been designed to achieve at scale and to help millions of children complete school. The facility is a joint initiative of the World Bank, Asian Development Bank, African Development Bank and Inter-American Development Bank. IFFEd aims to help mobilize $500 billion in additional education investment. For every $200 million cash contribution (assuming $100 million as cash and another $100 million in the example – provides another $200 million in guarantees), the MDBs will be able to increase the financial resources for education by $1 billion. Under IFFEd, $100 million in guarantees yields $400 million in additional education financing. The guarantees will be extended to the MDBs (the World Bank, ADB, AfDB, and IADB) which have extensive experience in the education sector.

How does it work?

IFFEd is not an operating agency, but will be implemented by participating donor countries to increase the availability and affordability of funding for education in LICs. The educational funding challenge is not one that can be addressed with traditional aid alone. Total global aid for education is currently only around $12 billion – while the annual education financing gap cannot be filled by traditional aid. IFFEd has been designed to help address LIC need for education financing at minimum cost and maximum leverage. The facility will work by enabling participating MDBs to increase the amount and affordability of funding for education in LICs. The International Finance Facility for Education (IFFEd) aims to help mobilize $500 billion in additional education investment. The facility aims to support the education needs of nearly 50 countries that are home to some of the world’s most marginalised children and youth.

Steps are underway to establish IFFEd and its small administrative unit in the UK so it can be fully operational in 2020. Donors plan to launch the facility in the UK this year. A grant from the UK government will foster greater collaboration and coordination among the MDBs and complement the work of the many entities, including the IMF, already investing in education. The facility will foster greater collaboration and coordination among the MDBs and complement the work of the many entities, including the IMF, already investing in education. The facility will allow for a more holistic and comprehensive approach to financing education. IFFEd will provide grants to participating MDBs to help lower the cost of education financing packages for LMICs. This will deliver a total of $5 billion in new education finance in its first five-year programming period.

How will it work?

Nearly 50 countries may benefit, subject to eligibility criteria. This includes populous countries with large poor and marginalized populations. The number of eligible countries will grow as more gain LIC status over time. The International Finance Facility for Education (IFFEd) is designed to address the international education financing challenge, leveraging innovative new investment tools to support the million poor and marginalized children and youth who are out of school. The facility is designed to address the international education financing challenge, leveraging innovative new investment tools to support the million poor and marginalized children and youth who are out of school.

Let's make impossible possible.

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