A Powerful New Engine for Global Education

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The International Finance Facility for Education

IFFEd Prospectus 2020

This prospectus describes the current design of the International Finance Facility for Education (IFFEd). The design is the result of broad-based consultations that took place from 2018-2020, including negotiations among potential donor countries and participating multilateral development banks (MDBs) – the African Development Bank, Asian Development Bank, Inter-American Development Bank, and World Bank. As IFFEd begins its operations, work will continue on developing its policies and programs, taking into account feedback and results, including annual progress reports and independent evaluations. IFFEd will operate in a transparent manner, and its policies, reports, and decisions will be made publicly available on the IFFEd website to be launched and maintained by the IFFEd Administrative Unit.

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IFFEd at-a-glance

Substantial new financing and bold reforms are required to help lower-middle-income countries (LMICs) get within striking distance of Sustainable Development Goal 4 (SDG 4). Sixty percent of the world's learners who are being left behind live in these countries. Pre-COVID estimates indicated that LMICs could face a massive education finance gap of at least $70 billion by 2030, which cannot be closed by traditional donor grant finance alone. UNESCO estimates that additional costs due to COVID-related school closures risk increasing this financing gap by up to one-third.

IFFEd will help LMICs close this gap and accelerate progress toward SDG 4, utilizing the financial leverage of the MDBs and contingent financing from contributors to maximize the impact of donor dollars.

IFFEd offers great value for money. With $1 billion in contingent financing commitments (of which only $150 million is in paid-in cash) and $1 billion in grant funding, IFFEd could deliver a total of $5 billion in new education finance.

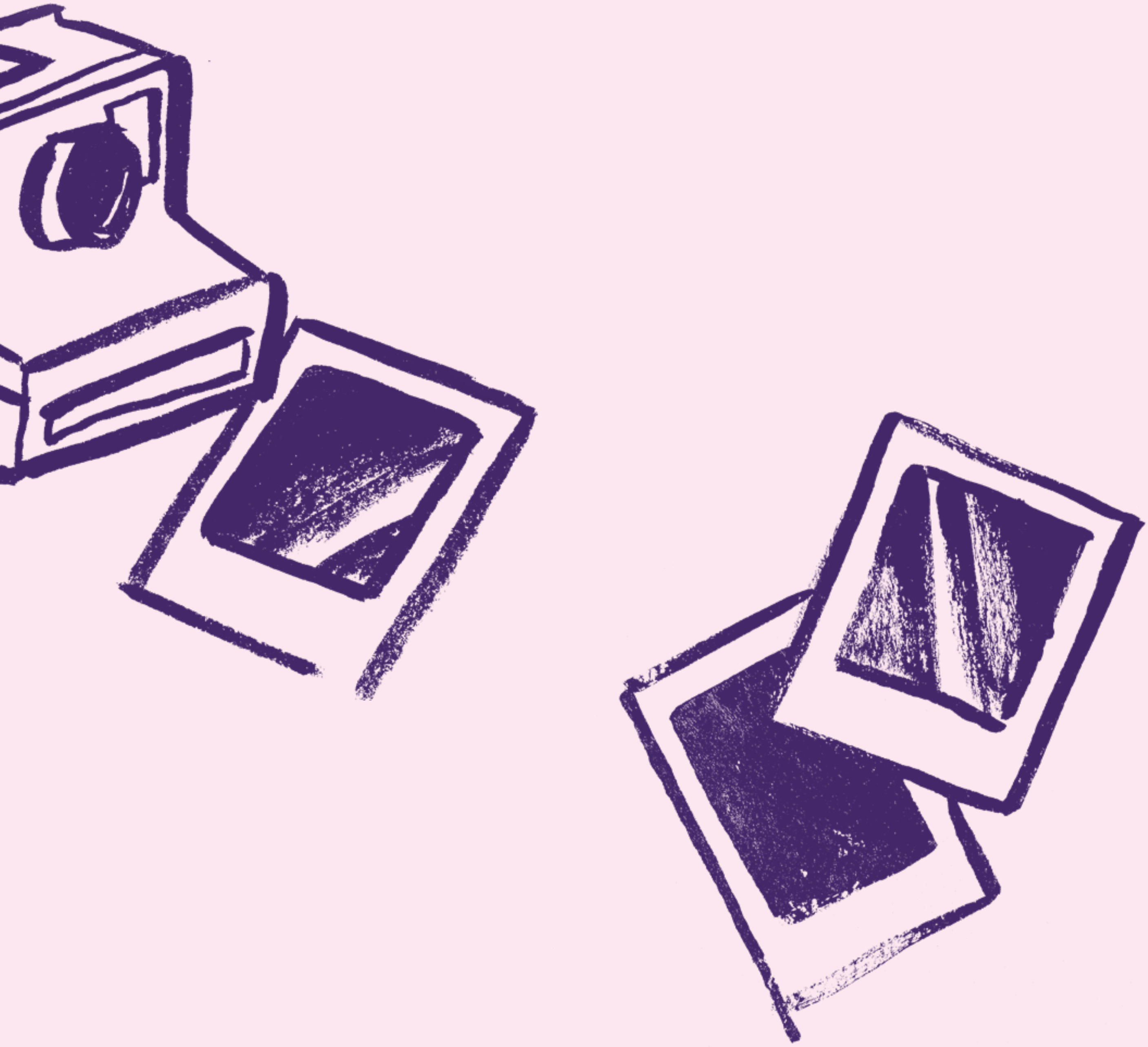
Around 50 countries will initially stand to benefit from IFFEd, including some of the world's most populous countries with large poor and marginalized populations, such as Bangladesh, Kenya, Nigeria, Pakistan, and Tanzania. The number of eligible countries will grow as they move from low-income to lower-middle-income country status.

IFFEd fills a critical gap in the international financing architecture for education, complementing existing instruments like the Global Partnership for Education and Education Cannot Wait by giving LMICs access to urgently needed, affordable financing for education that is currently not available to them.

IFFEd will help countries mitigate the impact of COVID-19 by providing a new affordable stream of education finance in the face of declining revenues and increasing budgetary pressures.

“Education is the most powerful weapon which you can use to change the world.”

–Nelson Mandela



The Challenge: The Global Learning Crisis

The world is in the midst of an unprecedented crisis with devastating impacts that will be felt for generations.

Even before the emergence of COVID-19, the education of the world's children and youth was already in crisis – more than 800 million children (over half of the world's children and youth) were either out of school, or in school but not learning the basics needed to thrive.

The COVID-19 pandemic has magnified the world's learning crisis exponentially. At the height of the pandemic, 1.6 billion children and youth – more than 90 percent of the world's student population in over 190 countries – had their education disrupted.[1] Almost overnight, learning has become reliant on connectivity. But close to half the world's students don't have Internet access.[2] The challenges for 63 million teachers along with the wider global education workforce are daunting. More than 20 million secondary school girls may never return to school[3] and the impact on the global economy of lost schooling could be as much as $10 trillion.[4]

The Poorest And Most Marginalized Children Are At Greatest Risk

The worst impacts of the crisis will be felt by the most vulnerable – including the rural and urban poor, girls, disabled, minorities, and forcibly displaced children and youth. The pandemic has tragically exacerbated inequalities on multiple fronts – access, learning, social, gender, and geographical. Children who were out of school before the crisis and the millions more who are still locked out and at greater risk of not returning may be trapped as laborers, child brides, soldiers, and victims of human trafficking and slavery.

Girls are especially at risk. A child who is out of school for more than a year is unlikely to return, and in crisis settings, girls are 2.5 times more likely to be out of school than boys. Without the social support that schools provide, girls are at greater risk of experiencing gender-based violence and the threat of harmful practices.

[1] COVID-19 Impact on Education. UNESCO
[2] The State of Broadband. Broadband Commission
[3] Girls' Education and COVID-19. Malala Fund
[4] Simulating COVID-19 impacts on learning and schooling outcomes: A set of global estimates. World Bank

Sounding the Alarm: Solving the Learning Crisis for the Future of Work

To prepare today's youth for the workforce of tomorrow, a robust and resilient education system at all levels – from early childhood education to secondary school and beyond – is absolutely essential.

But technology, demographic shifts, globalization, and the economic shocks from the pandemic are rapidly reshaping the world. Before the coronavirus crisis, up to half of today's jobs – around two billion – were at high risk of disappearing due to automation by 2030. Globally, 40 percent of employers were finding it difficult to recruit young people with the skills needed, and as the pace of technological change and innovation accelerates, new skills will be required by the labor market.

The pandemic will radically alter what many countries need to regain or maintain productivity, with a demand for more and new high-level skills. Working with and adapting to technological innovations will be vital to successful employment, and thus ensuring quality education for all is critical. With the right skills, all young people can participate in our increasingly global and digital economy. Recent research shows that human capital, more than ever before, will be the most critical determinant to economic success and post-crisis recovery around the world.

Progress is possible. Fifty years ago, Korea, Japan, Taiwan, and Singapore were behind African levels of education today. They invested heavily in human capital and are now thriving in the world economy.

700M school-aged children and youth live in lower-middle-income countries (LMICs)

155M school-aged children are out of school in LMICs

2/3 of the world's out-of-school children are in LMICs

Without an education, aspiring doctors, lawyers, teachers, and innovators will not be able to realize their dreams or help their families, communities, and nations prosper.

In today's globalized economy and with the changing nature of work – which prizes skills in problem solving, adaptation, and innovation – investments in human capital are more critical than ever. Acquiring 21st century skills starts with having access to opportunities to learn the most basic skills necessary to be engaged citizens and productive members of the future workforce. Quality education is vital to lift people out of poverty, ensure healthier families, advance racial and gender equality, unlock job opportunities, increase security, and create a more just, peaceful, and sustainable world.

Lower-Middle-Income Countries (LMICs) Bear the Brunt of the Burden

The global learning crisis is particularly acute in LMICs. These countries will have the largest financing gaps (the gap between what they need to achieve their education goals and what they can mobilize from domestic resources). Based on pre-COVID estimates, LMIC could represent nearly 80 percent of the global education financing gap by 2030 – estimated at roughly $70 billion per year before the pandemic, and likely to increase as a result of the crisis.

There are two major reasons for this:

1. **The school-aged population in LMICs is large – 700 million – of whom 155 million were out-of-school before the pandemic. LMICs house over half of all school-aged children and more than half of the world's poor, as well as a significant number of refugees and displaced people.** The size and scale of the education crisis in these countries will grow dramatically as student populations continue to expand and populations of disadvantaged children (whether by gender, location, disability, or poverty level) require additional investment. Even under the most optimistic scenarios of increased domestic budgets and more efficient spending, a financial shortfall in LMICs will persist. Total costs are far above what education budgets (and households) in these countries will be able to cover.

   Despite these large and rising financing needs, international development assistance has not kept pace with need. Total global aid for education is currently only around US$15 billion. This is in stark contrast to other sectors that have benefited from increased prioritization in aid budgets. In relative terms, the picture for education is grim. Aid to education fell as a share of total aid from 13 percent in 2006 to 10 percent in 2018 (Figure 2). In comparison, disbursements to both health and infrastructure grew – in the case of health, from 16 percent to 18 percent, and in the case

"We already faced a learning crisis before the pandemic… Now we face a **generational catastrophe** that could waste untold human potential, undermine decades of progress, and exacerbate entrenched inequalities… We are at a defining moment for the world's children and young people. The decisions that governments and partners take now will have lasting impact on hundreds of millions of young people, and on the development prospects of countries for decades to come."

— António Guterres,
United Nations Secretary-General

IFFEd: An Opportunity to Mitigate COVID-19's Impact on Learning

History shows that sustaining funding for human development programs is especially challenging during financial crises. The International Finance Facility for Education (IFFEd) will help sustain and increase investments in education so that the critical learning needs of the most marginalized children do not fall through the cracks as governments grapple with the health and economic impacts of the COVID-19 pandemic. IFFEd will provide LMICs access to affordable financing for education without having to make trade-offs against health and other vital social programs. IFFEd will maximize the impact of donor dollars for the countries whose education systems are likely to be most affected by the pandemic.

LMICs are being hit very hard by the pandemic due to their heavy reliance on external, volatile private sources of finance, more so even than some low-income countries which tend to rely more on grants and concessional finance from donors. Public revenues are projected to plummet just as countries face intense public spending pressure to protect jobs, strengthen social safety nets, and meet health care demands.

Unlike more advanced economies, LMICs will not be able to mount strong fiscal responses on their own – they will be unable to borrow cheaply from commercial markets or issue local currency without risking inflation, an exchange rate crisis, or both. As a result, demand for official development finance is likely to escalate quickly and sharply.

The crisis will squeeze financing for education further and exacerbate inequalities. With higher than average rates of population growth, simply protecting existing education budgets in LMICs won't be enough. During the West Africa Ebola outbreak in 2014-15, schools were closed for months, affecting some 5 million children and depriving them of lifesaving health and nutritional services. Dropout rates, especially for girls, rose dramatically. A World Bank assessment found that the 2008 financial crisis compounded the learning crisis, especially for poor and marginalized families. Vulnerable groups were disproportionately affected as parents took their children out of school, either because of costs or the need to put them to work. Some governments raised school fees to compensate for declining budgetary resources, creating additional financial burdens on families when they could least afford it.

IFFEd can help safeguard education budgets and development goals. IFFEd was designed as a cost-effective, innovative financial instrument that will enable LMICs to access affordable financing through the MDBs. IFFEd will enable the MDBs to increase their country allocations above what they offer without IFFEd – a critically important feature as MDB balance sheets are increasingly stretched as a result of COVID-19. This will allow LMICs to protect education investments without having to make unacceptable trade-offs with other crucial development priorities like health. In addition, IFFEd will subsidize the already low rates attached to MDB financing, just as other sources of affordable financing for LMICs are becoming more costly.

Figure 1: Total ODA disbursements from all donors to all developing countries, by sector, moving three-year averages. [5]

of infrastructure, from 19 to 24 percent. The pandemic could lead to contractions of more than 10 percent in aid to education.

2. **The existing global education aid architecture is not designed to meet the unique and outsized needs of LMICs.** There is a mistaken assumption that, as LMICs grow their economies, governments are able to finance education systems through increased domestic revenues and thus targeted international funding is not necessary. But as countries transition to LMIC status they lose access to concessional financing at a faster pace than tax revenues increase, and governments must make difficult choices around allocating increasingly scarce funds among all sectors. Often these choices come at the expense of social sectors, where spending is first to get cut. Despite strong and growing evidence on the links between investments in human capital and growth, governments too often prioritize funding for infrastructure, energy, or other priorities that deliver measurable, short-term returns.

The global economic crisis caused by the COVID-19 pandemic will require policymakers to make even tougher choices for years to come in the face of diminishing revenues and escalating needs. This could affect education spending even further, making IFFEd even more critical for recovery (see p.11 – IFFEd: An opportunity to mitigate COVID-19's impact on learning).

IFFEd will help ensure there is sufficient, flexible, long-term funding for this vital sector and ease pressure on immediate spending when budgets are especially constrained.

[5] Source: OECD-DAC creditor reporting system

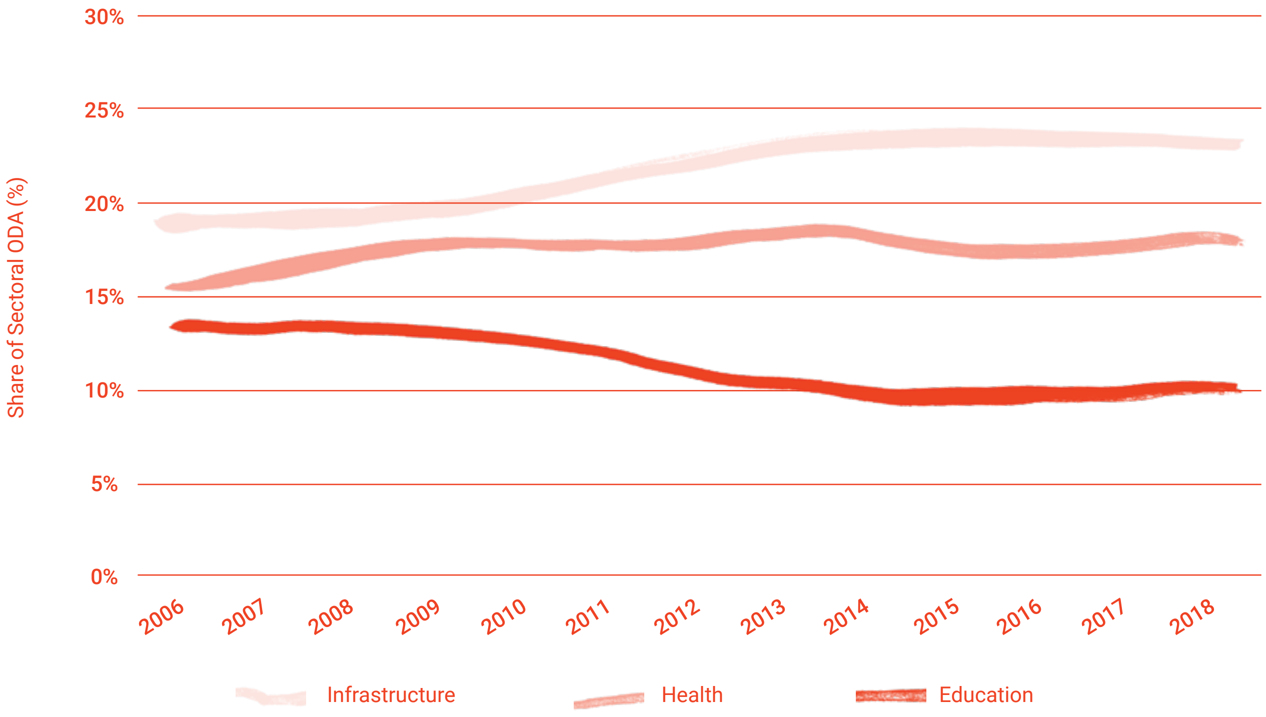


Figure 2: ODA disbursements as a share of sectoral ODA, by sector, moving three-year averages.

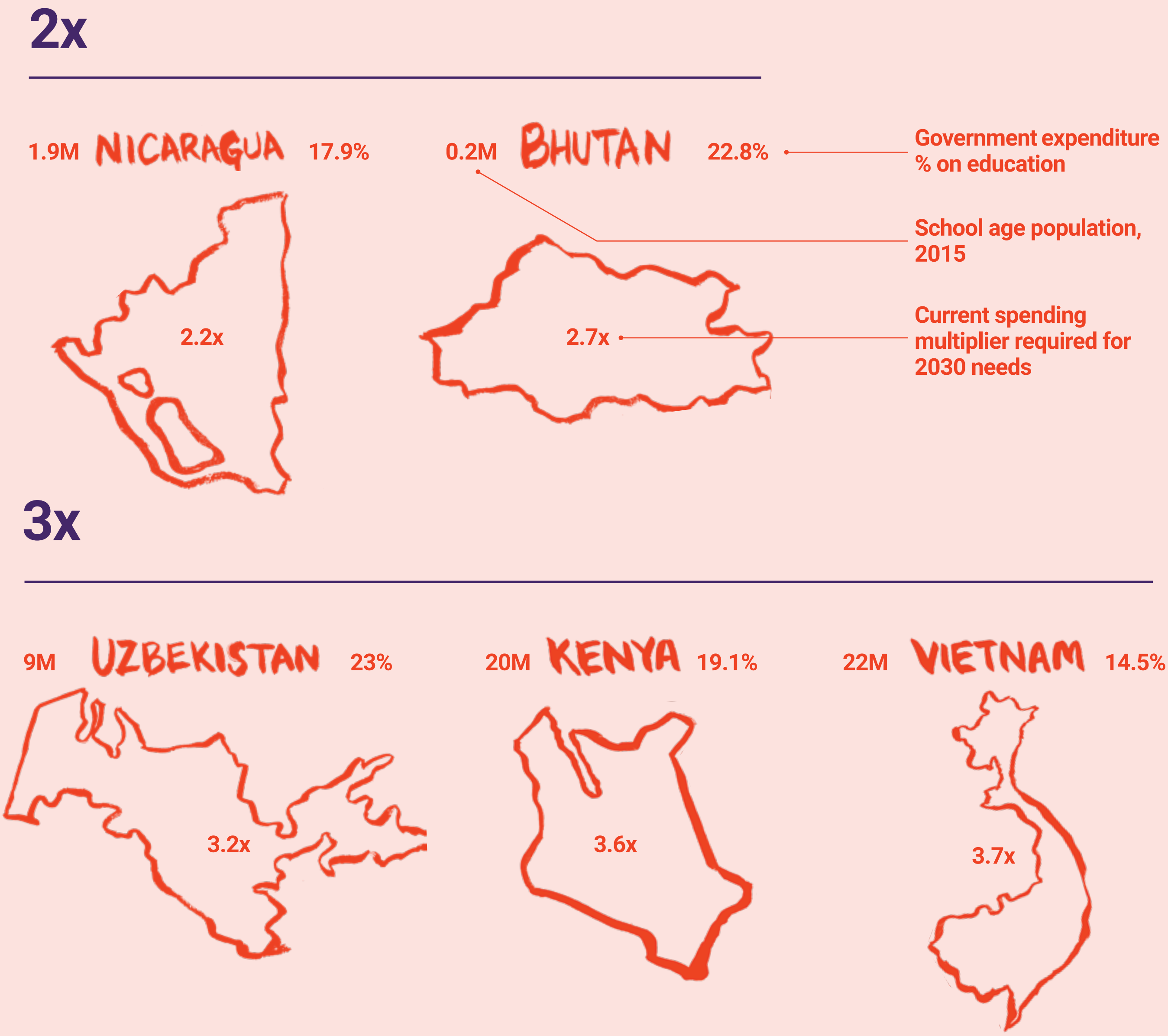
Indispensable international programs such as the Global Partnership for Education (GPE) and Education Cannot Wait (ECW) are already stretched focusing on children living in the very poorest countries or emergency humanitarian settings, and they were not designed to address LMICs' unique, large, and long-term education financing needs. **IFFEd would thus address an unmet need in the international aid architecture by providing LMICs with longer-term sustainable financing to help achieve universal quality education – SDG 4.** IFFEd helps stabilize education financing by allowing LMICs to continue accessing international funding on concessional terms as they did when they were low-income countries (LICs). By providing affordable concessional financing, these countries can continue investing in their education systems during this critical stage of their development.

Without urgent international action to close the education gaps in LMICs, more than half of all young people in the world will not have the most basic skills necessary to be engaged citizens or productive members of the global workforce in 2030. This generation – and their children's generation – will be trapped in a vicious cycle of poverty, and the SDGs will be far out of reach. **This is morally unacceptable and poses an enormous threat to the well-being of humanity and the future of our planet.**

The Scale of the Financing Gap by 2030

Many LMICs will need to multiply current levels of domestic spending many times over by 2030 to cover escalating education costs. This is a difficult path, particularly since many of these countries are already spending close to or above the international benchmark for spending on education as a share of government expenditure – 20 percent – as endorsed in the Education 2030 Framework for Action. These countries are home to millions of school-aged children that are at risk of being left behind. IFFEd provides a new path forward by providing additional financing for education at affordable terms, while also catalyzing MDBs' help to countries to increase domestic revenues and enhance the effectiveness of spending.

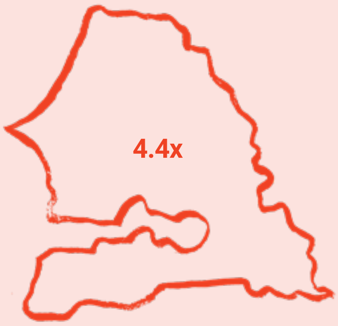
Illustrative list of how much select LMICs will need to multiply current spending to meet 2030 education financing needs and current share of total national budgets spent on education.



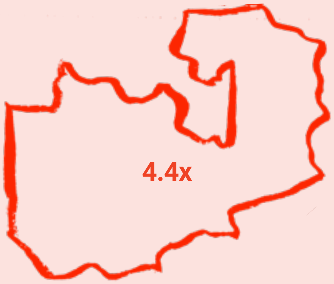
Sources: UNESCO Institute for Statistics; Education Commission (2016); United Nations World Population Prospects: The 2017 Revision

4x

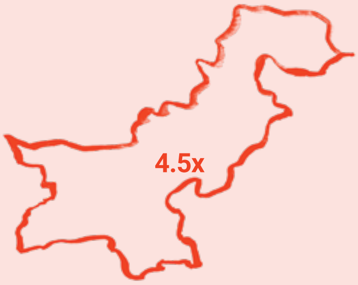
6M SENEGAL 21.5%



7M ZAMBIA 17%

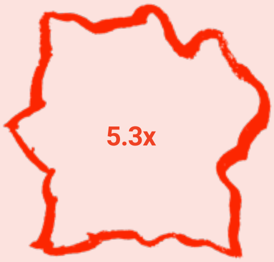


67M PAKISTAN 14.5%



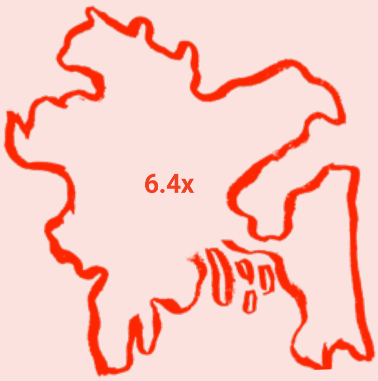
5x

9.6M CÔTE D'IVOIRE 18.3%

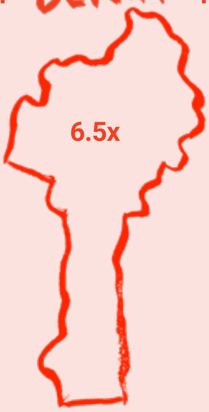


6x

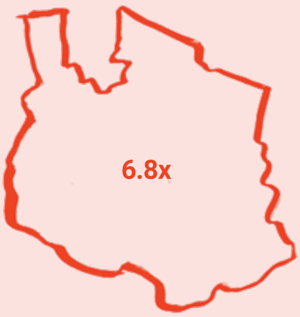
51M BANGLADESH 14.6%



4.5M BENIN 17.7%



23M TANZANIA 20.6%



A New Response Tool: The International Finance Facility for Education

The International Finance Facility for Education (IFFEd) will be a powerful new financing engine for global education.

IFFEd is specifically designed to tackle the massive education crisis in LMICs at **minimum cost with maximum leverage**.

IFFEd fills a critical gap in the international financing architecture for education. By using a combination of catalytic grants and contingent financing (guarantees), and multiplying scarce donor resources, investing in IFFEd will enable international donors to help close the massive education financing gap in LMICs without having to reduce their existing support for other programs that support education in low-income countries or humanitarian settings.

In its landmark 2016 *Learning Generation* report, the Education Commission – composed of current and former heads of state, ministers of finance, and top global business and education leaders – looked at ways to improve learning outcomes around the globe. One of the report's key recommendations was the creation of a new international finance facility for education. The Commission determined that MDBs are best placed to increase the volume and effectiveness of investments in education, but financial incentives are needed to address the serious supply and demand constraints that exist.

The G20 Eminent Persons Group on Global Financial Governance cited IFFEd as an innovative example of how to address gaps in the international financial architecture without creating parallel or duplicative structures. IFFEd will work through the existing MDB structures and will require no new in-country actors, promoting greater country ownership and efficiency.

IFFEd is a new education financing engine the world needs at this critical time.

A Smarter Way to Finance Education

IFFEd funding will enable MDBs to significantly increase their support to LMICs for education, and allow LMICs to secure education financing at more affordable rates. Although the MDBs lend significant amounts every year, these resources only finance a fraction of what LMICs need for a broad range of priorities like transport, housing, energy, agriculture, health, climate, and education. IFFEd will make it possible for LMICs to increase financing for education through the MDBs without having to make these trade-offs.

Donors can contribute to IFFEd in two ways, through a guarantee window and a grant window:

Contingent Commitments (Guarantees)
When a new education investment is submitted to IFFEd, the Facility will provide a guarantee to an

Four Core Design Principles

1. **Quality** IFFEd will ensure that the government-led education programs it finances are aligned with quality country plans, well-designed, and operate with a robust results framework focused on sustainable outcomes.

   IFFEd will work through the MDBs, which have established track records of strengthening education systems, improving learning outcomes, and working with countries to improve data and knowledge products. IFFEd will be subject to periodic independent evaluations, the first at the end of the first five years of operation.

2. **Equity** IFFEd will strive to reduce disparities in education in LMICs – which house the greatest numbers of the world's poor and the majority of out-of-school children and youth – by focusing on the inclusion of the most at-risk populations, in particular the poorest, girls, disabled, and displaced. By providing access to schooling, IFFEd will reinforce the virtuous cycle associated with learning – reduced poverty, better health outcomes, and reduced maternal and child mortality.

3. **Collaboration** IFFEd will enhance collaboration and integration of the multilateral system by working only through the MDBs, augmenting their education programs. It will not create a costly competing entity that engages directly with countries. IFFEd will also foster cooperation and joint learning among the MDBs by establishing the first joint-MDB mechanism focused on education to share lessons and knowledge on project approaches and outcomes.

   IFFEd will coordinate closely with GPE, ECW, UN agencies, and other international partners to accelerate overall progress in global education.

   IFFEd reporting and information sharing on IFFEd-financed programs and the MDBs' education portfolios will contribute to better funding alignment in education.

   MDBs will follow their procedures and safeguard policies to ensure consultation with CSOs and other interested stakeholders at the country level in the design and monitoring of IFFEd-financed programs.

4. **Financial Efficiency** With its leverage factor of five dollars of MDB educational lending for one dollar of IFFEd contingent financing, IFFEd will multiply scarce resources as called for in the "billions to trillions" paradigm shift and the Addis Ababa Financing for Development Declaration.

   IFFEd will be administered by a small team and be self-sustaining; all running costs will be covered by its revenue stream.

Education Investments Create Value: IFFEd's Impact on Debt Sustainability in LMICs

Rising debt burdens in many developing countries are spurring concerns of a looming debt crisis. While much of the concern has focused on LICs, the impact of additional borrowing by LMICs as a result of IFFEd also needs to be taken into account.

The additional financing that IFFEd would support is minimal as compared to the total debt burden of LMICs. LMICs had nearly US$1.7 trillion net outstanding debt at the end of 2018. In comparison, IFFEd would support, at most, an additional US$4 billion in borrowing over five years, an increase of about 0.2% of their total debt stock. Country-by-country analysis indicates that many LMICs at the end of 2018 with both significant financing needs for education and sustainable debt burdens could absorb all of IFFEd's resources. Growing LMIC debt burdens have not been driven by MDB loans but by other sources, such as private, more expensive borrowing. By 2018, LMICs secured approximately $495 billion dollars in private debt – up from about $255 billion in 2010.

Nevertheless, given the potential risks of debt distress in some LMICs and future uncertainties, particularly with the COVID crisis, IFFEd's design includes important additional safeguards, including a requirement that MDBs conduct a debt sustainability analysis of potential client countries in line with the IMF framework before IFFEd support is provided. IFFEd also requires countries to make commitments on domestic sources of funding for education.

The low debt sustainability risks are far outweighed by the benefits of smart investments in education, given education is one of the best bets in development and a key leverage point for accelerated growth and progress on all of the other SDGs.

Traditional Aid for Education

Traditional aid is essential, especially in the poorerst countries. Every $1 of committed aid leads to $1 in education services.

MDB to cover a share of any missed repayments by their client countries for the MDB's portfolio of investments, effectively providing MDBs with a new form of hybrid capital. This hybrid capital will allow the MDB to raise additional funds on the capital markets, leveraging the amount of hybrid capital four times, to finance additional education investments. Donors will only provide IFFEd with 15 percent of their contingent commitments in an up-front cash payment, with the remaining 85 percent of the commitment being provided in the form of a contract to convert commitments into cash if needed to maintain the financial stability of IFFEd. Experience over the past 20 years indicates it is highly unlikely that the guarantee commitments will need to be converted into cash.

Grants

IFFEd will provide grants through participating MDBs to help lower the cost of education financing packages to eligible countries thus allowing LMICs to finance education on more affordable terms. Between 2015 and 2017, 12 percent of concessional MDB lending for LMICs was taken up for education, compared to just 2.5 percent of non-concessional (market-based) lending.

The amount of IFFEd grant funding to be blended with an IFFEd qualifying education loan to an eligible country will depend on each country's unique economic situation, ability to access other sources of concessional finance, and debt sustainability ratio, which will evolve as their economies grow.

Leverage, Reach, and Scale: An Exceptional Value for Donors

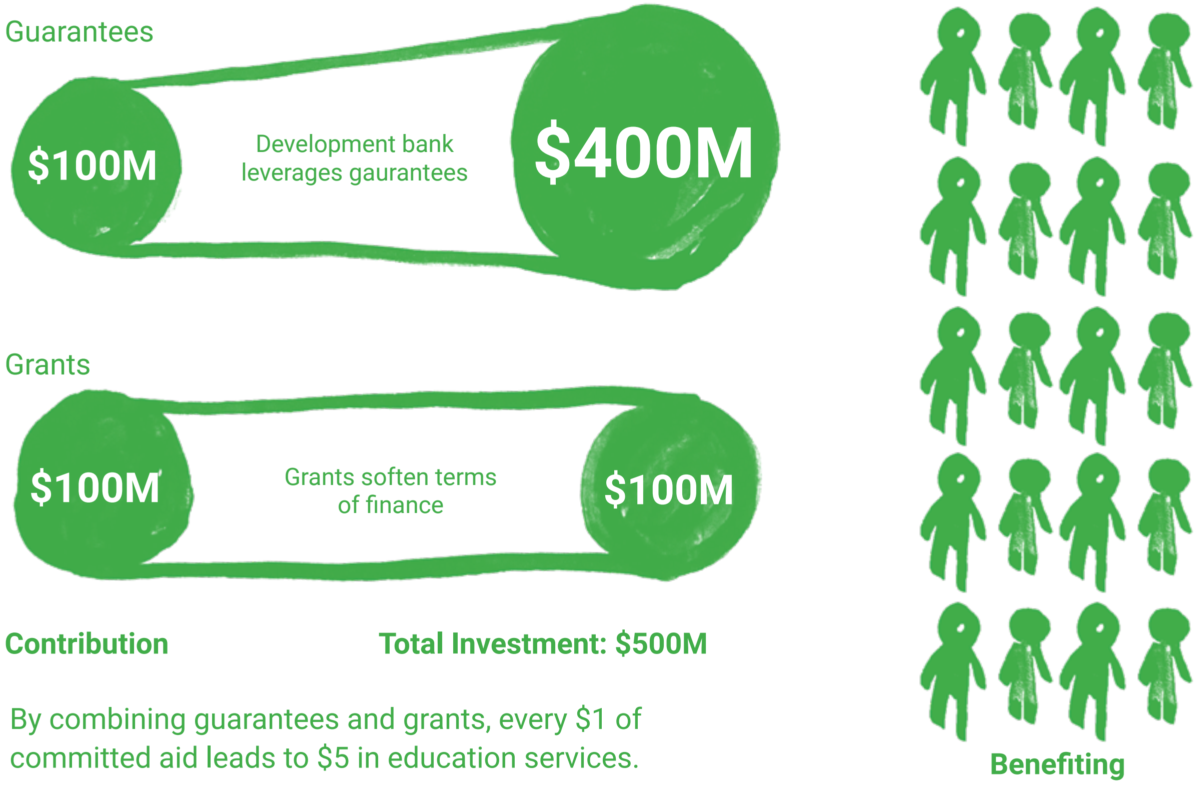
IFFEd embodies the aims of the Addis Ababa Financing for Development Framework, which emphasizes the need to scale up domestic resource mobilization and move from "billions to trillions" to finance the SDGs.

IFFEd offers great value for money. With the targeted amounts of US$1 billion in guarantees (comprised of US$150 million in paid-in cash and US$850 million in contingent commitments) and $1 billion in grants over its initial five-year programming period, IFFEd could deliver a total of $5 billion in new finance for global education.

IFFEd's partnership with the MDBs will supercharge progress towards SDG 4 – inclusive, equitable, and quality education for all. As the largest external financiers of education in LMICs, the MDBs have the technical and financial capacity to deliver quality education programs at the

5x the Impact

The International Financial Facility for Education



needed scale. As AAA-rated development banks, their ability to leverage additional resources from IFFEd's capital support makes them natural partners to maximize scarce donor funding. Their cross-sectoral approach to development enables them to address major policy constraints to education outside the sector, such as public financial management, health, and social protection. And MDBs are well-placed to ensure this additional financing delivers the intended results (see pg.26- MDB impact stories).

IFFEd will incentivize domestic resource mobilization for education. A country receiving support from IFFEd will be expected to increase its domestic spending on education in line with international standards. Each participating MDB will be expected to show that its education portfolio grew as a result of the additional funding made available through IFFEd.

Cost-Efficient

IFFEd will serve as a source of new financing for education, and not as a policy or implementation agency. IFFEd's priority is to build on the existing capacity of the MDBs and avoid fragmentation in the global education architecture. Relations with countries will be managed by the MDBs active in each country, who are already trusted development partners. As such, IFFEd is a light-touch financial instrument and contributes to the planning processes that already take place at the country level through education sector planning and other government-led planning activities.

IFFEd's lean administrative unit will have a small staff and be financed entirely by its own revenue. An **independent board of directors** will provide oversight and a **contributor's meeting** with IFFEd donors will review and advise on the strategic achievement of IFFEd's goals against the SDG 4 targets. The IFFEd Board will approve initial indicative **allocations to the participating MDBs** for the first five years of operation, which will be reviewed annually for efficiency and effective use of IFFEd resources. The participating MDBs will work with eligible countries to identify education projects to be funded within the scope of their respective allocations.

Results-Focused

IFFEd aims to address an unmet need in the international aid architecture by providing LMICs with longer-term, predictable, and sustainable financing to help achieve SDG4. IFFEd's results framework will monitor and track equity, additionality, sustainability and impact of its investments towards delivering inclusive and quality education for all children.

An **investment case** (or rationale) for a proposed MDB qualifying education loan will explain how the country in which the investment is to be made meets the IFFEd eligibility criteria (see section below) and how the investment is consistent with the programming expectations and outcomes laid out in IFFEd's results framework (see Section III). Investment cases will be submitted to the contributors' meeting for review and to the independent IFFEd Board for endorsement of the proposed allocation of IFFEd resources. Once a proposal is endorsed by the IFFEd Board, it will follow the participating MDB's own policies and procedures for project approval and implementation.

Participating MDBs will report annually on the progress of the qualifying education programs and projects they are supporting through IFFEd, how they have addressed the eligibility criteria and programming expectations, the expected results being achieved in line with IFFEd's results framework, and their overall trends in lending for education. **IFFEd will then prepare a comprehensive annual report** detailing its contributions to SDG 4 which will be publicly available on the IFFEd website.

IFFEd Will Benefit LMICs Committed to SDG 4

Countries eligible to seek funding from IFFEd are those classified by the World Bank as LMICs – with average per capita income ranging from approximately US$1,000 to less than $4,000 per year. This includes several of the world's most populous countries with significant poor and marginalized populations. The number of IFFEd-eligible countries may grow as more countries enter LMIC status over time. [1]

To be eligible for support from IFFEd, LMICs will need to demonstrate:

- **a credible strategic education framing document**, such as a national education sector plan.
- **a commitment to improving education opportunities** for marginalized children consistent with the SDG principle of "leave no one behind."
- **a commitment to increase their domestic education budget** to meet international standards – e.g. the Incheon Declaration and Education 2030 Framework for Action recommended spending on education to reach 6 percent of GDP and 20 percent of national budgets.
- **a debt sustainability analysis demonstrating increased borrowing capacity** – IFFEd will not place any countries at risk of debt distress. IFFEd will instead increase the affordability of MDB lending by combining grants with loans, significantly reducing borrowing costs. Each MDB will retain flexibility in determining the specific grant element for any individual financing package. This will allow Participating MDBs to differentiate between countries, taking into account differences in debt sustainability prospects and demand for borrowing for education.
- **a demonstrated commitment to results-based approaches** to achieve nationally-owned targets, consistent with the Paris Declaration on Aid Effectiveness.

[1] The World Bank updates its income classifications every year on July 1.

Measuring Impact: IFFEd will have a robust results framework that will track the contribution of IFFEd financing for activities at the country level to aggregated outputs, outcomes, and impacts.

IFFEd indicators are harmonized with key SDG goals and will measure, among other things:

- Improved inclusiveness by reporting on:
  - the number of children and youth enrolled at each education level disaggregated for marginalized groups where data is available (and including income quintile, sex, rural-urban and disability)
  - the extent to which education is free and compulsory; and
  - the extent to which integrated basic education is guaranteed for students with disabilities.
- Improved quality and learning by measuring:
  - proficiency levels in reading and math of children and youth; and
  - the number of teachers recruited and trained under IFFEd-funded programs.
- Increased prioritization of education by reporting on government spending on education as a percentage of GDP and of total government expenditure.

To facilitate the evaluation of results, each MDB will report annually on progress and results, including reporting on core indicators of IFFEd's Results Framework and other project level indicators. In addition, periodic independent evaluations of IFFEd will provide an objective assessment of IFFEd's results, impact, and efficiency.

The draft IFFEd Results Framework can be found here.

IFFEd’s potential

In light of the pandemic and the inevitable loss of learning for hundreds of millions of children and youth – especially girls – the international community must act urgently to protect and maintain investments in education.

By multiplying donor resources and motivating countries to increase their own investments, IFFEd will generate new funding streams for education and help mitigate COVID-19's impact on learning.

History shows that innovative and concerted global financing efforts can have profound human and economic impact. Nearly two decades ago, such cooperation led to the creation of the Global Fund to Fight AIDS, Tuberculosis and Malaria, and GAVI, the Vaccine Alliance, both of which have channeled billions of dollars into the health sector and saved tens of millions of lives. In more recent years, global climate change agreements from Copenhagen to Paris, as well as the creation of the Climate Investment Funds and the Green Climate Fund, have transformed funding for climate mitigation and adaptation and catalyzed billions in new market opportunities.

The Fierce Urgency of Now

There is still much uncertainty about the full devastation of COVID-19. But what we do know for certain is that the poorest and most marginalized are the ones whose lives will be damaged most and the education, hopes, and futures of an entire generation are at risk.

Although education is clearly a victim of the pandemic, it is also a critical part of *the solution* to the longer-term recovery from COVID-19.

With IFFEd, the world now has a bold, cost-effective solution to help provide a quality education to the 700 million school-aged children living in LMICs. By investing in IFFEd, donors will help close the large education financing gap in LMICs and create a generation of children who can realize their full potential regardless of the lottery of their birth. The payoff for humanity and the global economy will be significant and the failure to act is unconscionable.We cannot – and must not – fail this generation.

Impact Stories from the MDBs

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1. Giving Young Girls a Second Chance in Zanzibar

"If I hadn't come to this center, I would have spent my life doing domestic work. Now, I can read and write. I'm sure that once I've finished my studies, I'll be able to set up my own business. I'm so glad to have studied here."

—Hadia Baruti Wimbi

African Development Bank (AfDB)

Like many girls in Zanzibar, Hadia was never enrolled in the formal education system. At age 13, she had the opportunity to attend the Raha Leo Alternative Centre, an alternative learning center, as a pathway to catch up and give herself a chance of success in life.

Tanzania's alternative learning and skills development centers were constructed with an African Development Fund (ADF) loan and grant totaling US$32.7 million. Designed to fill the gaps in non-formal education in Zanzibar, the project also financed the development of teachers' manuals and purchase of equipment. The centers are providing basic education and other skills to more than 2,000 students and training in computer literacy, law, and adult literacy to more than 1,000 community members (more than half of whom are women).

Under the Small Entrepreneurs Loan Facility (SELF) scheme, more than 6,000 interest-free micro-loans were given to graduates – 70% of them young women – to start their own businesses. SELF also supported 19 microfinance institutions and Savings and Credit Cooperatives.

The alternative learning centers continue to advance literacy, numeracy, and basic education curricula and programs for dropouts and out-of-school children who have never been enrolled in the formal school system and supports the Government of Zanzibar's high priority on the development of alternative basic education with an emphasis on girls.

2. An Education Lifeline: Textbook Support in Mongolia

Asian Development Bank (ADB)

In the face of severe economic difficulties in 2019, Mongolia's Ministry of Education, Culture, Science and Sports (MECSS) asked ADB to fund textbook procurement and printing. The Government of Mongolia was unable to secure sufficient funds for textbook development and urgent support was needed for students using textbooks for learning in the classroom and beyond. With the use of project savings, the initiative rapidly supported the printing and distribution of textbooks for students from sixth to twelfth grade. In total, more than 2.7 million textbooks were printed for 19 subjects including Mongolian, mathematics, sciences, English, Kazakh, history, information and technology, and music. Textbooks were distributed to 649 out of a total of 757 public and private schools in October-December 2019. More than 70,000 students (over half of them girls) are using the textbooks.

Due to COVID-19, all schools have been closed in Mongolia since February 2020, affecting nearly 1 million students. MECSS introduced tele-teaching with the use of textbooks and programs on four TV stations. With support from MECSS, selected teachers in Ulaanbaatar are preparing lesson plans following the national curriculum. The textbooks are an education lifeline for students learning from home, given the current crisis situation.

3. Partnering with Elmo and the Cookie Monster to Support Young Children in Latin America

Inter-American Development Bank (IDB)

With the closure of early childhood development centers and preschools in the wake of the COVID-19 pandemic, young children are among the most affected by the interruption in access to learning opportunities, and by the temporary loss of the safe spaces offered by school environments. Experts warn of long-lasting effects on young children's socioemotional and cognitive development as learning has shifted from school rooms to living rooms.

To support children and caregivers across Latin America, Sesame Workshop (the non-profit organization behind Sesame) and the IDB have partnered to provide resources to help transform moments of uncertainty into learning opportunities. Thanks to the Sesame-IDB partnership, all countries in Latin America and the Caribbean will have free access to more than 100 hours of the best Sesame television programming until June 2021. This will ensure that all preschool girls and boys can continue learning at home through public and private television networks, as well as webpages of ministries of education throughout the region. In parallel, families can also write directly to Sesame via WhatsApp to receive free learning resources and tips directly on their phones.

A website provides families with videos, digital games, activities, storybooks, and other materials to cope with the crisis – from how to properly wear a mask to breathing and yoga techniques to manage frustration and anxiety.

Rigorous evaluations, conducted by the IDB and others, indicate that Sesame's content delivers the academic building blocks required to initiate short- and long-term learning, raise levels of creative thinking, and reduce gender stereotyping.

4. Bono Vida Mejor in Honduras: Boosting School Enrollment with Conditional Cash Transfers

The World Bank

In 2010, the World Bank extended financing to Honduras established a new delivery system for its Conditional Cash Transfer Program, providing cash transfers to 234,000 extremely poor households in rural areas, 90 percent of which are headed by women. The new system helped reduce the nation's poverty gap and increased school enrollment. The Conditional Cash Transfer Program (now known as *Bono Vida Mejor*), provides cash to extremely poor households, with the amount provided dependent on the number and age of children in the household.

A program evaluation in 2017 found that primary school enrollment among program beneficiaries increased by 7 percent, and enrollment in upper secondary school (sixth to ninth grades) increased by 10 percent. In addition, the number of children engaged in child labor declined by 20 percent.

5. The Inclusive Education Initiative: Rethinking Education for Children with Disabilities

Photo: wavebreakmedia / Shutterstock

The World Bank

Children with disabilities are among the most marginalized and excluded from education around the world. Pre-pandemic, at least half of the estimated 65 million primary and secondary school-aged children with disabilities were out of school. The COVID-19 crisis has only exacerbated this exclusion.

The Inclusive Education Initiative (IEI) was launched in 2019 by the World Bank with support from the United Kingdom's Foreign, Commonwealth and Development Office (FCDO) and the Norwegian Agency for Development Cooperation (NORAD) to provide technical expertise and resources to help countries foster more inclusive educational systems, with a view to achieving SDG 4.

In just one year, the IEI has already started to influence the progress of disability-inclusive education. The initiative is supporting three pilot countries – Nepal (US$ 1.93 million), Rwanda (US$ 1.90 million), and Ethiopia (US$ 2.0 million) – to expand their disability-inclusive education portfolio. The programs for each pilot emerged from robust engagement and inputs from a range of stakeholders, including ministries of education, social development, social welfare, Local Education Groups, inclusive education working groups, and consultation with disabled persons' organizations and civil society organizations.

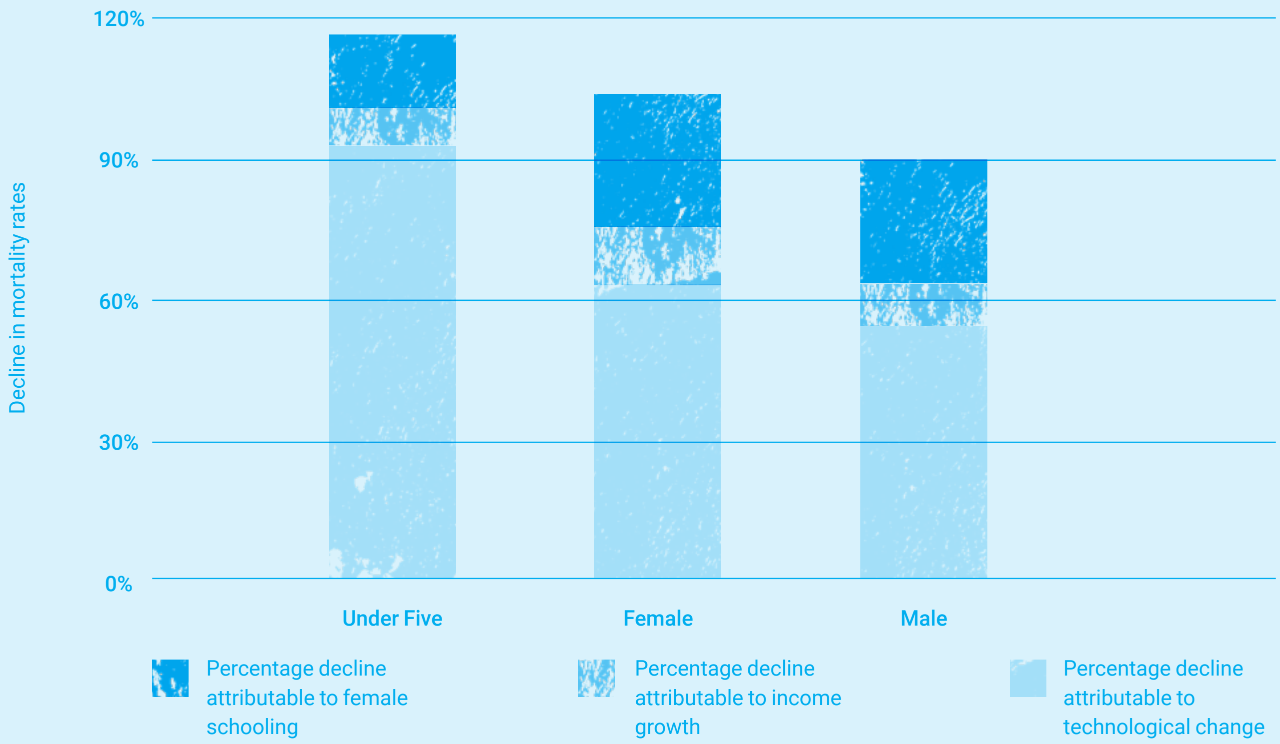
The IEI works with World Bank country teams, UNICEF, and other stakeholders to: **narrow the disability data gap** by providing grants to develop inclusive information systems, surveys, screening and assessment tools; **close the disability research gap** by commissioning comprehensive reviews of resource classrooms and assessment centers to better articulate the critical elements of inclusion; **address the capacity gap** by training teachers on screening, assessment, and disability-inclusive education sector analysis and planning; and **tackle the innovation and knowledge gap** by providing grants to disrupt learning practices for children with disabilities and prepare them for lifelong learning.

The IEI Disability-Inclusive Education Community of Practice and Knowledge Hub was established to address the need for a knowledge-sharing platform focused exclusively on disability-inclusive education that deepens the conversation around challenges, good practices, gaps, and implementation issues. In July 2020, the IEI released the Issues Paper ***Pivoting to Inclusion: Leveraging Lessons from the COVID-19 Crisis for Learners with Disabilities.***

"Good quality, holistic, inclusive education is a key driver of opportunity, empowerment and social justice. If we are truly to achieve our shared vision of social justice and equality, then we must invest and invest NOW in education for children and youth throughout the world. The International Finance Facility for Education has the power to mobilize significant new funding for education and direct it to the countries with the largest number of marginalized children and adolescent girls in need of a future-focused, 21st century education. Young people have shown that they can lead amazing social change – let's make sure we maximize their potential."

— Theo Sowa, CEO, African Women's Development Fund

Girls' Education: A Powerful Driver for Healthy People and a Healthy Planet



Educating Girls Saved over 130 Million Lives — Declines in Mortality Rates (per 1000) in low- and middle-income countries (1970-2010)

IFFEd will be operational in a large number of countries where gender gaps in schooling persist. More than half of the worldwide female out-of-school population lives in LMICs, and one of IFFEd's explicit priorities is to focus on marginalized children and youth with particular reference to the poorest, girls, disabled, and forcibly displaced children and young people. The draft IFFEd Results Framework makes this priority concrete by requiring that both outputs and outcomes indicators are disaggregated by gender and aligned with the SDG indicators.

Educating girls leads to better health outcomes and saves lives. *The Learning Generation Report* found that a child whose mother can read is 50 percent more likely to live past the age of five, 50 percent more likely to be immunized, and twice as likely to attend school.

There is also growing evidence that expanding girls' education can play a role in helping countries mitigate and adapt to climate change. Girls' education has a proven link to lowering fertility rates and reducing population growth, one of the key drivers of climate change. Data from the Brookings Institution suggest a strong positive association between the average amount of schooling a girl receives in her country and her country's score on indexes that measure vulnerability to climate-related disasters.

Frequently Asked Questions

What is this new finance mechanism?

- IFFEd is a new, innovative financing facility designed to help close the chronic education funding gap in LMICs and support achievement of SDG 4 – ensuring inclusive, quality education and lifelong learning opportunities for all.

- IFFEd is also a robust response to the call for new financing initiatives under the Addis Ababa Action Plan to finance the SDGs and leverage "billions to trillions."

- The Facility will increase the capacity of the MDBs to finance education in LMICs by providing them additional lending headroom for education projects and improving the concessionality of the education financing packages for eligible countries beyond what the MDBs can currently offer them.

- COVID-19 brings new urgency to the Facility, as eligible countries are facing severe budget constraints that will make it difficult to protect education budgets. The World Bank reports that education spending is likely to stagnate or fall in some countries due to budget deficits caused by the crisis.

How will IFFEd work?

- The Facility will provide incentives to both the MDBs and LMICs to scale up investments in quality education programs by:

  - Providing MDBs with additional hybrid capital (based on **a combination of paid-in cash and contingent commitments** provided by donor countries to partially **underpin the performance of the MDBs' sovereign loan portfolios**). This additional hybrid capital will enable the MDBs to increase their lending to lower-middle-income countries for education.

  - Offering grants to eligible countries to soften the terms of the financing package to make education financing more affordable.

- IFFEd will also require eligible countries to have a credible education plan, commit adequate domestic resources in support of this plan, and integrate a results-based approach.

- IFFED is not a policy or implementing agency. There will be a lean structure composed of a small administrative unit to oversee the facility. The World Bank is expected to initially serve as trustee of the IFFEd Trust Fund.

Why do we need another initiative for education?

- There is an urgent, well-documented crisis in learning and education. This crisis is being exacerbated by the global pandemic.

- Addressing this crisis is critical if we are to safeguard recent gains and advance the goals of SDG 4 and prepare the next generation to meet the demands of the 21st century workforce.

- IFFEd will address an important gap in the global development architecture by enabling LMICs to scale up investments in education. Their financing needs cannot be addressed by grant aid alone.

- LMICs house most of the world's poor and out-of-school children and have the largest financing gaps to meet their education needs, but are ineligible for most grant and concessional financing programs. They are also facing severe financial shocks in the wake of the pandemic, due to a decline in revenues from sources like exports and tourism, as well as reduced access to markets.

How will this new mechanism complement other initiatives?

- IFFEd is unique because it is designed to help LMICs – which house most of the world's poor – address chronic, unmet needs in education finance. Other signature education initiatives target lower income countries and countries in crisis.

- MDBs, supported by IFFEd, will work alongside international actors such as the Global Partnership for Education (GPE); the Education Cannot Wait Fund (ECW); United Nations agencies such as UNICEF, UNHCR, and UNRWA, national donors; and civil society.

- IFFEd is not a delivery or implementing agency. Its implementing partners will be the MDBs, which are important providers of programmatic and technical expertise in education and have established track records in improving learning outcomes.

- IFFEd will also foster and support MDB collaboration and cooperation on education.

Why is this initiative focusing on LMICs and not on the poorest countries?

- There are several major education initiatives that provide grant financing for education needs in the poorest countries. But the largest, most pervasive, and chronic unmet education financing needs are in LMICs, which house the vast majority of the world's poor.

- Sixty percent of all children and young people who are projected to lack basic skills by 2030 reside in LMICs. These countries will fall far short of their social and economic potential without major new commitments to educate their youth.
- Many LMICs have taken important steps to transform their education systems through domestic investment and reform. But they need additional sources of funding to deliver quality education.
- By 2030, 80 percent of the total global education financing needs will be in LMICs (pre-pandemic estimates). Most are ineligible for grant or concessional aid, and the costs of alternative external financing are prohibitive for long term social investments, creating a significant funding shortfall.
- The shortfall will be exacerbated by stagnating or falling economic growth and reduced access to markets due to the impact of the COVID-19 pandemic.

How much funding is this mechanism expected to raise?

- IFFEd seeks to mobilize $1 billion in contingent financing (guarantees) and $1 billion in grants for its initial five-year period of operation.
- Together these will be leveraged into **$5 billion** in additional financing for education through the MDBs.
- This new funding source could help up to 700 million children in around 50 LMICs improve their skills and learning and prepare them for the demands of a changing world.
- Given current global challenges, IFFEd may be established with funding below its initial target but sufficient to achieve strong results. Resource mobilization efforts would continue until the funding gap is filled.

Which countries will be eligible to receive funding?

- The Facility will be accessible to LMICs who are eligible borrowers from the African Development Bank, Asian Development Bank, Inter-American Development Bank, and World Bank.
- For an eligible country to access IFFEd funding, it will need to show (a) evidence of a credible education sector plan; (b) ability to sustainably take on additional lending through the MDBs; (c) a commitment to prioritize education within its national budget; and (d) an agreement to integrate a results-based approach.

How will IFFEd divide resources among the MDBs?

- At the beginning of the replenishment period, the MDB Committee will recommend initial grant allocations and indicative contingent financing allocations for each participating MDB for the replenishment period, based on agreed criteria.
- The MDB proposal will be developed in accordance with the following steps:

STEP 1. Determine list of potential beneficiary countries

The participating MDBs will prepare a recommended list of potential beneficiary countries at the start of the replenishment period. Such a determination will serve to draw the broad boundaries of countries that may receive support.

STEP 2. Calculate notional financing need per country

A composite index will be used to measure each potential beneficiary country's notional financing needs. This index will have three components: education access, education quality, and demographic structure.

STEP 3. Aggregate notional country need calculations by region

IFFEd will add up the countries' needs-based calculations to determine a total notional regional allocation, based on World Bank regional groupings.

STEP 4. MDB Committee to review notional regional totals

Following the initial calculation of notional regional financing totals, the MDB Committee may review and adjust such totals, if necessary, based on equity and IFFEd policy considerations.

STEP 5. Allocate shares of notional regional total to participating MDBs active in each region

Following the calculation of notional regional totals, grant funds and contingent financing resources will be notionally allocated to participating MDBs active in each region based on historic shares of total participating MDB commitments to LMICs in the region and taking into account any concentration risks of IFFEd's portfolio and required adjustments to mitigate such risks.

STEP 6. Participating MDBs discuss and agree on adjustments to shares of notional regional totals

Participating MDBs active in any region may discuss and agree on adjustments to shares of notional regional totals, taking into account capacity and interest of each participating MDB.

STEP 7. Participating MDB Indicative Grant and Contingent Financing Allocations

Following any adjustments to Participating MDB shares of the notional regional totals, the Participating MDB shares will be summed to determine a recommended indicative grant allocation and indicative contingent financing allocation for each participating MDB.

Each participating MDB will determine how to program its indicative allocations over the replenishment period and will not be bound by the notional country needs assessments or notional regional totals used to determine the participating MDB indicative grant allocation and indicative contingent financing allocation.

The MDB Committee will annually consider whether, to ensure that IFFEd funds are being used effectively and efficiently, any modifications should be considered to the indicative grant allocations and indicative contingent financing allocations. If changes are proposed, they will be submitted to the contributors meeting for review and the IFFEd Board for approval.

What kind of education projects will be supported?

- Only public education programs funded by the MDBs will be eligible for IFFEd financing. These will include any education-related initiative or reform effort that is consistent with a country's strategy to increase access, learning, and equity. However, early learning, primary, and secondary education will be prioritized in financing.
- IFFEd funding could also be provided for activities related to other sectors (e.g. health, infrastructure) where such activities are directly related to or integrated with education services. For example, integrated early childhood development services (education, health, nutrition, protection) would be eligible but nutrition alone would not; school infrastructure would be eligible but rural roads would not.

Will the private sector be eligible to access IFFEd?

- No. MDBs provide financing directly to governments. Only public education programs funded by the MDBs will be eligible for IFFEd financing.

How will you measure success?

- IFFEd has prepared a robust results framework with donors and the MDBs. The framework will include major SDG 4 indicators, disaggregated by gender.
- IFFEd will also provide annual reporting on all education programs of the participating MDBs and their impact on learning.
- IFFEd will report publicly on operations and results annually.
- In addition, IFFEd will be assessed periodically by an independent, external evaluator(s). The first independent evaluation will be commissioned before the end of IFFEd's first five years of operation.

Is there a risk that IFFEd could contribute to unsustainable debt burdens?

- IFFEd has been designed to assess and mitigate debt risks.
- First, the additional debt that IFFEd would support represents a small fraction of the total debt of the intended beneficiaries. In 2018, total external debt of LMICs amounted to almost 2 trillion dollars; the 4 billion of additional lending supported by IFFEd would represent only 0.2 percent of the stock of debt, or about 0.39 percent of their public and publicly guaranteed debt.
- Second, IFFEd includes a grant window whose purpose is to increase the affordability of the MDB funding packages for education to LMICs by merging grants with loans. This will reduce the cost of funds and support a positive debt dynamic. Further supporting a positive dynamic is the requirement that the recipient country mobilizes funds domestically as part of its education financing strategy.
- IFFEd will also require that the MDBs conduct a debt sustainability analysis of eligible countries, which will be included in IFFEd program documents. Proposals will need to be consistent with MDB and IMF limits on concessional borrowing. This requirement will reinforce the MDBs already prudent lending policies as evidenced by the 4 percentage point decline in the share of multilateral debt in the total between 2010 and 2018.

Where will the facility be housed and who

will cover its costs?

IFFEd will be an independent legal entity established in London. It will have a small secretariat, and IFFEd is expected to be self-sustaining, financing the cost of its secretariat from its investments and other sources of income.

Will the Facility be ODA eligible?

Yes, the OECD has recognized IFFEd as an ODA-eligible facility and confirmed that donor paid-in contributions to IFFEd will be ODA eligible.

Why is IFFEd working through the MDBs rather than providing funding directly to countries?

- IFFEd is the result of the landmark ***Learning Generation*** report supported by current and former heads of state, ministers of finance, and top global business and education leaders. One of the report's key recommendations was the creation of a new international finance facility for education, and the Commission determined that MDBs are best placed to increase the volume and effectiveness of investments in education.

- The MDBs have a wealth of experience with education at a systemic level, which is where interventions are needed to make lasting change and already have strong relations with the potential beneficiary countries.

- IFFEd also works within the current education architecture, avoiding duplication and parallel structures.

- Finally, a new Facility that engages directly with countries would be very costly, as significant funds would be needed to prepare, implement, monitor, and report on the projects.

How will IFFEd engage with civil society organizations (CSOs)?

- During the design period of IFFEd, over 50 CSOs participated in a consultation process to contribute their ideas and feedback, which was used to amend the baseline principles and inform the technical design document.

- National and global education CSOs can bring value to IFFEd in areas related to programming, monitoring, results, and evaluation. CSO engagement will be most impactful at the country level, and through interactions with the MDBs. IFFEd and the MDBs will continue to consult with CSOs as to how best to work together on program design, implementation, and review.

For more information:
educationcommission.org/international-finance-facility-education/