IFFEd

International Finance Facility for Education

April 2019

IFFED STRATEGIC CASE

NOTE: This note was prepared at the request of potential contributors to facilitate the preparation of internal documentation to seek approval for support for IFFEd. The note was prepared by the Education Commission secretariat in close collaboration with the MDBs who provided inputs and comments. The outline and questions in the paper were provided by the UK in consultation with other potential contributors. The paper draws on earlier technical design papers as well as additional inputs from the MDBs. The paper should be read in conjunction with other key documents on IFFEd's design including the IFFEd Framework document, IFFEd term sheet and associated legal agreements.

This is a descriptive document designed to facilitate internal discussions and provide essential evidence supporting the design of and justification for IFFEd. Its intention is to assist contributors and MDBs in their internal discussions to "make the case" for IFFEd and will be set aside as agreements on formal documents are reached.

This document was edited in light of comments submitted by Contributors on the draft dated December 15, 2018. The revisions were approved at the IFFEd negotiation meeting in Stockholm in January 2019.

Contents

IFFEd: A major recommendation of the Education Commission

The International Finance Facility for Education is a major recommendation of the International Commission on Financing Education Opportunity (the Commission), which was set up to reinvigorate the case for investing in education and to chart a pathway for increased investment to develop the potential of all the world's young people.

In its report, The Learning Generation, the Commission raised alarm around the current learning crisis in education, provided an in-depth analysis of potential causes and presented twelve recommendations to address the crisis (see annex 1). The recommendations are centered around four education transformations: performance, innovation, inclusion, and finance. Taken together, these recommendations aim to address the root causes of today's learning crisis and to transform education to prepare young people for citizenship and employment in the 21st century. The recommendations are based on extensive research involving more than 30 research organizations and internationally renowned education experts.

With respect to finance, the Commission recommended increasing and improving domestic and international financing for education from all sources, with a particular focus on equity in accordance with the principle of progressive universalism.[1] More specifically, the Commission called for the establishment of a Multilateral Development Bank (MDB) investment facility for education to deliver improved MDB financing in the sector.

The need for the facility (now called the International Finance Facility for Education) was established based on four key arguments:

1. There is a learning crisis which needs to be urgently addressed, particularly in lower-middle income countries (LMICs) where the majority of affected children live.
2. The need for financing to address the crisis and achieve the SDGs far exceeds the available supply. LMICs will have the largest gaps in absolute terms and will represent close to 80 percent of all financing needs for education by 2030. They face structural challenges, such as political myopia and the inability to raise revenue at the pace necessary to compensate for falling aid, that make them particularly vulnerable to inadequate finance.
3. The effectiveness of education investments needs to be improved. This will require careful analysis of which investments have the highest impact and the use of performance-based financing instruments.
4. The MDBs are best placed to increase investment as well as help make it more effective, but their financial supply needs to be expanded and demand constraints by countries for education loans need to be addressed.

[1] Additional baseline principles serving as the foundation for IFFEd's design, generated in concert with civil society organizations, are set forth in Annex 2.

I. WHAT IS THE PROBLEM?

1. The global learning crisis

Today, a quarter of a million children are not going to school and more than 600 million, while in school, will end their secondary schooling with no recognizable qualifications to participate in society and the modern workforce.

These numbers, while devastating, also mask large inequalities in terms of access and learning. Extensive analysis in the 2018 World Development Report on education show that many children are excluded from schooling due to poverty, gender, ethnicity, disability and location despite a promising pattern of schooling expansion over the past decade. For instance, while girls are now much more likely to start primary school, gender parity is far from being realized: “62 million girls between the ages of 6 and 16 years are still out of school, with the highest concentrations in West and South Asia and Sub-Saharan Africa,” and the likelihood of girls completing primary schools remain far below their male counterparts in some countries. Gaps also exist between the experience of rich and poor children. Across low- and middle-income countries, there is, on average, a 32 percent gap between children in the top income quintile completing school as compared to children in the bottom income quintile.[2] The situation is most acute for the poorest girls. For instance, in Pakistan, only 4 percent of the poorest females complete lower secondary, compared to 19 percent of the poorest boys.[3] Children with disabilities also face substantial obstacles to education, even in countries with high overall primary school enrollments,[4]

Without urgent action, half of the world’s children and youth will not achieve basic secondary level skills needed to thrive, or even participate, in the workforce of 2030. Already, 40 percent of employers globally are finding it difficult to recruit young people with the skills they need, and as the pace of technological change and innovation accelerates, new higher order skills will be required by the labor market. Investment in human capital will be critical for economic success and development. The World Bank’s 2019 World Development Report calls on countries “*to invest in education and health with a fierce sense of urgency to harness the benefits of technology and to blunt its worst disruptions*.”

2. The learning crisis in LMICs

The majority of children affected by this learning crisis live in LMICs. LMICs are home to the majority of out-of-school children — 31 million at primary and 124 million at secondary — and children with poor quality education (Table 1). Nearly half of the world’s children and young people, a total of 700 million children (more than 3 times as many as in LICs), live in LMICs, along with large numbers

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[2] REAL (2016). Overcoming Inequalities Within Countries to Achieve Global Convergence in Learning. The Education Commission. Background Paper for The Learning Generation.
[3] UNESCO World Inequality Database on Education (WIDE).
[4] World Bank. 2018. World Development Report 2018 : Learning to Realize Education's Promise. Washington, DC: World Bank.

of refugee and displaced children.[5] Of them, more than 65 percent will not attain basic secondary level skills by 2030. The situation is particularly dire for LMICs in sub-Saharan Africa and South Asia, where over 80 percent of the current school-age population are not on track to reach secondary learning benchmarks (Table 2).

Table 1: Population and learning numbers by income group

	LICs	**LMICs**	**UMICs**
Primary and secondary school-age population	195 million	691 million	386 million
Number not reaching secondary learning benchmarks	184 million	549 million	163 million

Source: The Education Commission (2016)

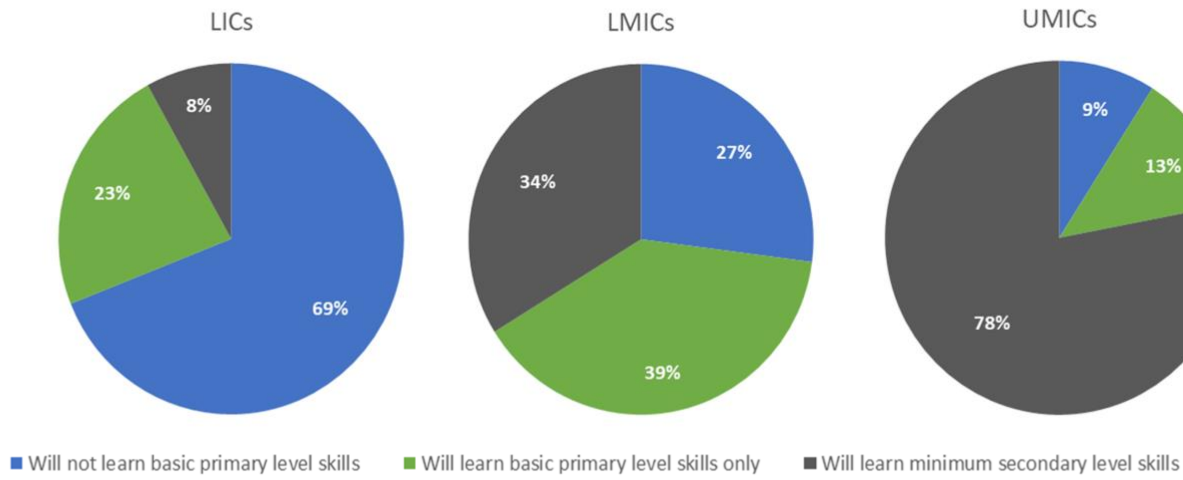
Table 2. Population and learning trends in LMICs by region assuming static income groups, millions

	2015			**2030**		
	Primary and secondary-age population	Not on track to reach secondary learning benchmarks		Primary and secondary-age population	Not on track to reach secondary learning benchmarks	
Central Asia	15	7	45%	18	5	28%
East Asia-Pacific	109	68	62%	114	60	53%
Latin America	12	9	75%	12	6	50%
Middle East	43	29	67%	54	35	64%
South Asia	396	341	86%	392	288	73%
Sub-Saharan Africa	116	96	82%	159	103	65%
Total	691 million	549 million	79%	749 million	498 million	66%

Source: The Education Commission (2016)

[5] Displaced populations are concentrated in a handful of countries, a number of which are LMICs. According to official statistics, Pakistan hosts the second largest number of internally-displaced and refugee populations. In addition, official numbers do not capture the extent of the refugee situation in countries such as Lebanon and Tunisia, which host millions of refugees from Syria and Libya, respectively. While estimating access to education is difficult, UNHCR estimates that just 61% of refugee children were enrolled in primary school and 23% of refugee adolescents in secondary school in 2017. (Global Education Monitoring Report 2019).

Figure 1. Projected learning levels by 2030, by income group



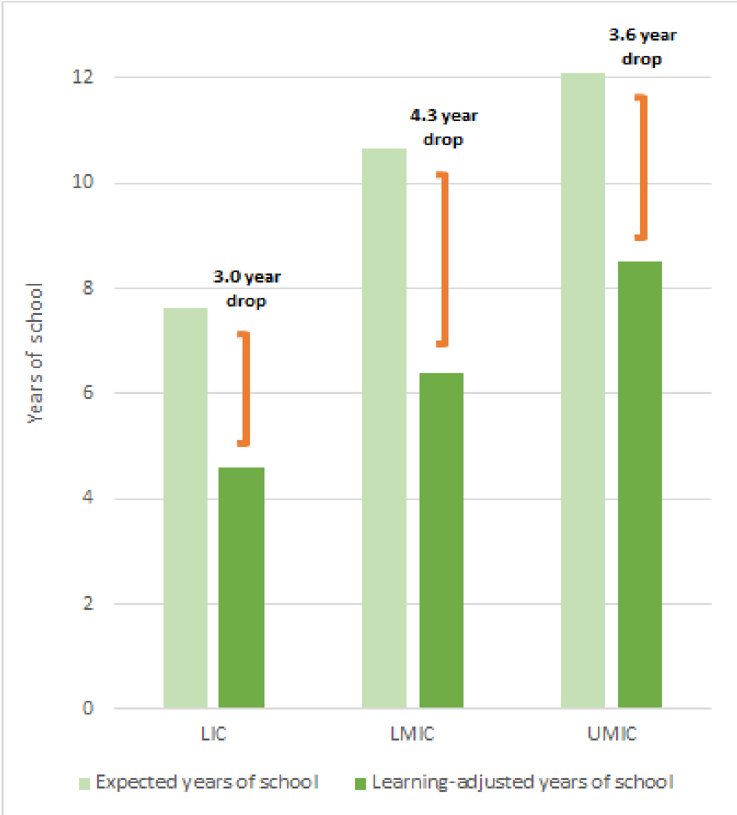
Source: Education Commission (2016). The Learning Generation.

The effective years of learning as presented in the Human Capital Index (HCI) confirms the need for urgent attention. This gap between actual years of schooling and "learning-adjusted" years of schooling is the largest in absolute terms for LMICs (Figure 2).

- The newly released Human Capital Index by the World Bank, which quantifies the contribution of health and education to the productivity of the next generation of workers, reveals a stark picture for the quantity and quality of education around the world.[6] Based on current data, children in LICs are only expected to attain a median of 7.6 years of schooling. But when adjusted for student assessment scores, children only reach the equivalent of 4.6 years, suggesting major shortfalls in the quality of learning.
- LMICs face the largest gap in years of schooling when adjusted for the quality of learning, from an expected 10.6 years of being in school versus 6.4 years of learning-adjusted years of school.
- Of the top 50 worst performers on the HCI, almost half are middle income countries, of which 19 are of lower-middle-income status. This includes nations with large populations such as Nigeria, Pakistan, India, and Ghana.

[6] The quantity of education is measured as the expected number of years of school a child can expect to attain by age 18 given the prevailing pattern of enrollment rates across grades. The quality of education reflects ongoing work at the World Bank to harmonize test scores from major international student achievement testing programs. These are combined into a measure of learning-adjusted school years using the "learning-adjusted years of school" conversion metric proposed in the 2018 World Development Report.

Figure 2. World Bank Human Capital Index scores of median years of schooling by income[7]



Source: World Bank Human Capital Index. https://www.worldbank.org/en/publication/human-capital#Data

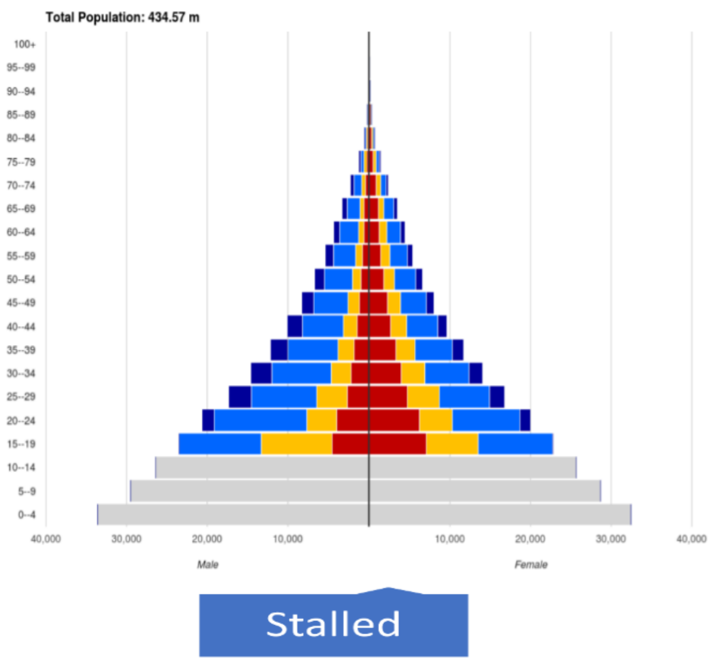
Positive impacts of investments in education will be far reaching and so will the costs of inaction:

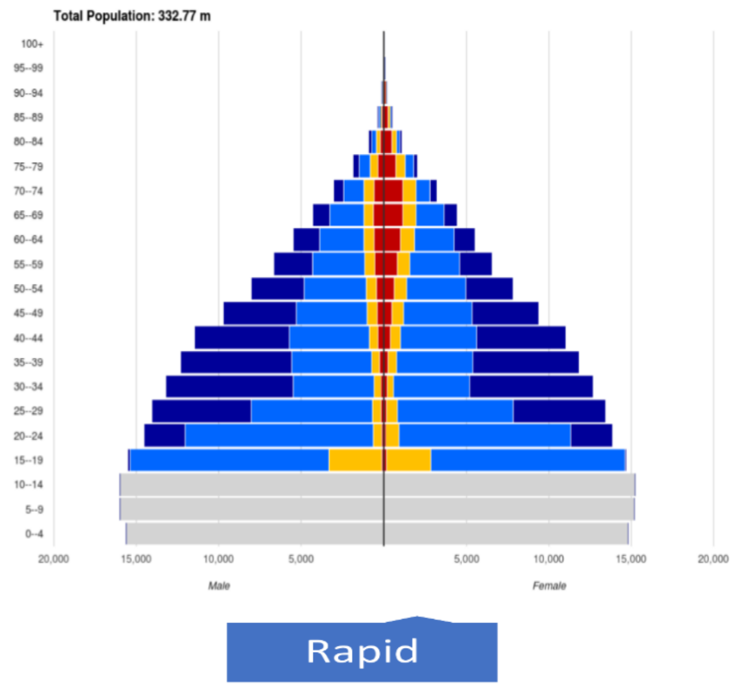
- Aggressive and effective investments in human development would have a dramatic impact on the demographic profile of LMICs – resulting in lower, more sustainable population growth and higher levels of education attainment. To illustrate, "rapid development" in Nigeria would mean that the 2050 population would be 333 million instead of 435 million under a "stalled development" scenario, and with far greater educational attainment (Figure 3). Key to obtaining the "rapid development" scenario for 2050 is immediate investment in health and education, particularly for girls. The smaller population would be more highly educated, with fewer people that have no education (in red) and far more educated at the secondary and higher levels (in blue) and thus more prepared to participate in a more sophisticated labor market.

[7] Note: HCI indicators to date capture data for 110 low- and middle-income countries

Figures 3a and 3b. Population and education attainment by 2050 under stalled and rapid development scenarios.

NIGERIA





Source: Wittgenstein Centre for Demography and Human Capital

- **The demographic transition that is beginning in many LMICs gives rise to the possibility of a demographic dividend** – the idea that “the rise in the share of the working ages and related changes can provide a strong impetus to economic development.” By 2050, 47% of children and youth (aged 0-24) will live in LMICs and these young people will need to navigate challenges of climate change, jobs and technology, natural resource management, building effective governments, peace and security, and managing inequality.
- **A shift in education outcomes in this large and growing population will catalyze achievement toward other SDGs and will have profound impact on the development trajectory of the entire world.** In a recent survey of over 10 thousand respondents conducted by the Rockefeller Foundation, “education” was the most common solution proposed to achieve the SDGs, including eliminating poverty (SDG1) and achieving peace, justice, and strong institutions (SDG16). Research also points to education as being the key to enhanced climate adaptation. The Wittgenstein Centre for Demography and Global Human Capital recommends funding more educators rather than just engineers because education has a powerful effect on enhancing societies’ adaptive capacity and mitigating the effects of climate change.[8]
- **Education as a catalyst for development is also recognized in a recent report by the G20 Eminent Persons Group on Global Financial Governance,**[9] which recognizes governance capacity and human capital (particularly education) as critical foundations for an attractive

[8] Lutz, W., R. Muttarak, and E. Striessnig. (2014). “Universal education is key to enhanced climate change: Fund more educators rather than just engineers.” Science. Vol 346. No 6213.

[9] G20 Eminent Persons Group on Global Financial Governance (2018). Making the global financial system work for all.

investment climate, job creation, and economic dynamism. The report recommends that country-level policies be supported by global platforms for international finance institutions[10] to cooperate on these key thematic issues. IFFEd is mentioned as a good example of an instrument that is well-aligned with existing architecture.

3. The funding shortage in LMICs

The funding shortage in LMICs is a result of (1) large increases in funding needs due to pace of progress required and the absolute size of LMIC youth populations and (2) an aid architecture that does not adequately meet the unique and outsized needs of LMICs.

1 – Financing needs to achieve the SDGs far exceed available supply of financing

In order to achieve the SDGs, LMICs will need to increase their total spending on education from 6 percent to about 9 percent of GDP between now and 2030. This will require domestic public expenditure for education to rise from below 4 to close to 6 percent of GDP on average. However, even if LMICs increase their investments in education and secure better value for money, a financial shortfall will persist. The total costs are far above what education budgets (and households) in these countries will be able to cover.

The financing gap in LMICs will grow dramatically as an increasing number of countries transition from low- to middle-income status in the coming decades. By 2030, LMICs will account for nearly 80% of the global shortfall in funding – $71 billion out of a total of $90 billion – even after accounting for an increase in domestic budgets and more efficient spending.

It should be noted that the Commission's financing estimates provide a conservative estimate of needs (Box 1). In practice, costs and financing needs may be higher.

[10] International finance institutions refer to the IMF and the Multilateral Development Banks, comprising the African Development Bank, Asian Development Bank, Asian Infrastructure Investment Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, Islamic Development Bank, New Development Bank, and the World Bank Group.

Table 3. A costing and financing plan for the Learning Generation vision, rounded to the nearest billion (US$), *adjusted for changes in income classification over time*

	LICS		LMICs		UMICs	
Costs	**2015**	**2030**	**2015**	**2030**	**2015**	**2030**
Pre-primary	1	3	15	29	30	62
Primary	9	10	75	80	240	212
Secondary	7	10	101	107	280	321
Post-sec	8	9	128	95	327	516
Total cost	26	33	318	312	877	1,111
%GDP	6.3%	13.6%	5.9%	9.3%	5.6%	6.9%
Financing Plan						
Domestic gov.	12	13	212	184	784	977
% GDP	2.6%	5.3%	3.7%	5.8%	4.3%	6.1%
Households	10	3	99	58	89	133
% GDP	2.3%	1.4%	1.5%	1.4%	0.9%	0.8%
Funding gap	**4**	**17**	**8**	**71**	**5**	**2**
% GDP	**1.4%**	**6.9%**	**0.7%**	**2.0%**	**0.3%**	**0.1%**

Source: The Education Commission (2016)

Figure 4. Funding shortfall for education, *adjusted for changes in income classification over time*

Source: The Education Commission (2016)

However, despite large and rising financing needs, education's share in overall international assistance (including from MDBs) dwindled from 13 percent to 10 percent between 2002 and 2017.[11] Total ODA stands at $12 billion, including concessional finance from MDBs. This is why, as a first step, the Commission calls on all donor countries to augment their aid budgets to the target of 0.7 percent of gross national income and channel more of that funding to education (in line with shares found in health) and through multilateral organizations. But this will not be enough. Even under the most optimistic scenarios of domestic resource mobilization and increased aid through existing channels a financing gap would still remain.

2 – The current international aid architecture does not adequately address the unique and outsized needs of LMIC populations

There are three distinct challenges in the volume and targeting of international financing for education:

1. Too little grant and highly-concessional financing for low-income countries (LICs). Meeting the substantial needs of LICs will require a much greater focus of ODA on low-income countries, and a scale up of concessional financing from multilateral institutions for low-income countries.
2. Huge unmet needs for education in emergencies. Education has been given insufficient priority in crises. There is insufficient funding and capacity to lead and deliver education and recovery efforts and support for the education of refugees and internally displaced persons.
3. Inadequate external finance for education in lower-middle-income countries (LMICs). LMICs face a "missing middle" and lack sufficient external financing for education as tax revenues are not able to keep pace with declines in aid levels.

IFFEd would play a key role in the architecture by complementing existing agencies and initiatives that are targeting the first and second issues, including bilateral and multilateral grant agencies such as the Global Partnership for Education (GPE) and Education Cannot Wait (ECW), but do not target the unique and outsized needs of LMICs. Indeed, the G20 Eminent Persons Group on Global Finance Governance in its recent report highlights IFFEd as an innovative example of how to address gaps in the international financial architecture without creating parallel structures that could duplicate international efforts.

First, while GPE, ECW and IFFEd are highly complementary, each has different target countries. GPE, with 70 percent of its total allocation (an estimated $500 million annually) focused on low-income countries and 30 percent (an estimated $200 million) on LMICs, is not designed to meet fully the substantial needs of LMICs.

Similarly, ECW primarily concentrates its work in countries facing sudden-onset or escalating crises. Of the 19 countries in which ECW has invested, 5 are LMICs. In those cases, IFFEd can provide complementary funding and expertise over the course of a country's journey from immediate response to long-term recovery from a crisis situation, just as in cases where there is overlap between ECW target countries and GPE partners.

[11] This contrasts with the growing share for health rising from 15 to 18 percent and now standing at $21 billion annually, not including large contributions from private philanthropists of several billions more.

Second, IFFEd's mandate and operational objective is to maximize the scale and effectiveness of the MDBs, a substantially different mode of operation than GPE and ECW's country-facing work focused on system improvement and direct grant giving. **The additional value of IFFEd is that the instrument simultaneously addresses supply and demand side constraints, best leveraged through the collective efforts of the banks to increase investment in education.** Having both grants and the contingent financing instrument in IFFEd will facilitate the speed and governance of international assistance to the LMICs, avoiding additional coordination and transaction costs. In additional, combining contingent commitments from all donors through IFFEd will reduce risks (through portfolio diversification) and transaction costs as compared to donors reaching separate agreements with each MDB.

In relation to the unique needs of LMICs for financing education, 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. However, while poverty rates have declined worldwide, many people in middle-income countries have not benefited equally. According to a recent New York Times analysis,[12] middle-income countries are home to a new concentration of poverty: "In 1987, nine out of 10 extremely poor people generally lives in low-income countries. But by 2015 only four out of 10 lived in low-income countries, while the rest lived in middle-income countries."[13]

LMICs thus face a structural failure in financing, leaving them with a "missing middle."[14] As countries transition from LIC to LMIC status, aid falls faster than tax receipts rise (Figure 4). Just when many countries start to emerge from very low per capita income, their growth is constrained as domestic taxes and market-related public borrowing fail to expand fast enough (and in some cases to expand at all) to compensate for the loss of concessional assistance.

[12] New York Times. January 28, 2019. "A New Home for Extreme Poverty: Middle-Income Countries." https://www.nytimes.com/2019/01/28/opinion/inequality-poverty-global-aid.html

[13] Over half of this population is found in 10 countries – 7 of which are LMICs: **India**, **Nigeria**, **Bangladesh**, **Indonesia**, **Kenya**, Yemen, South Africa, China, **Pakistan**, **Zambia**.

[14] Kharas, H., Prizzon, A. and Rogerson, A. (2014). Financing the post-2015 Sustainable Development Goals: A rough roadmap. London, ODI.

Figure 5. The “missing middle” of development finance.

Source: Kharas et al., 2014

A forthcoming report from ODI (not yet for circulation or citation) outlines case-study evidence that LMICs see a fall over time in total official development finance and domestic public finance as a share of GDP. In almost all cases studied, tax revenues either fell as a share of GDP or did not increase enough to compensate for the fall in official development assistance.

IFFEd would thus address an unmet need in the international aid architecture by providing LMICs with longer-term, predictable, and sustainable financing to help achieve SDG4. It keeps education financing options more constant and avoids a sudden shock to the system by extending the highly concessional terms that LMICs once enjoyed as LICs. By providing affordable “bridge financing,” these countries can continue investing in their education systems during this critical stage of their development.

Importantly, as IFFEd will complement and not replace or duplicate current initiatives in education financing, there is minimal risk of diverting resources from low-income countries. By using innovative financing mechanisms, IFFEd will not only allow for more efficient use of grant resources already allocated to middle-income countries, but it could also create opportunities to allocate *more* of the scarce grant resources to low-income countries and emergency situations. This would be possible because IFFEd offers a new and highly-leveraged source of financing for LMICs where limited grant finance could be multiplied 4 to 5 times. This potentially offers an opportunity to provide larger total investments with fewer grants than offered under the current architecture.

Moreover, greater prioritization of education within the MDBs could also have positive spillover effects on the amount of their regular financing to low-income countries. By encouraging MDBs – and particularly the World Bank with its recent 50 percent increase in the size of its concessional window – to allocate a greater share of their overall lending to education, financing for low-income countries could also be further increased.

Box 1: Summary Description of the Education Commission's Learning Generation Costing Model and Scenario Assumptions.

The **Learning Generation Costing Model** focuses on the **Education Commission's five priority outcomes**: 1) preschool enrollment; 2) primary school completion *and* learning; 3) secondary school completion *and* learning; 4) post- secondary access; and 5) equity of learning outcomes. The model projects these outcomes for 121 low- and middle-income countries, underpinned by a database with over 200,000 items largely from UNESCO and the World Bank.

Unlike earlier costing models, the **Education Commission Investment model** estimates the potential for rapid progress given each country's starting points and historical trends. For each of the five priority outcomes the model computes **two scenarios**: The *Trend* scenario – business as usual; and the ***Learning Generation Vision***. The Trend scenario is based on each country's recent progress in the five priority areas, while the Learning Generation Vision proposes that all countries accelerate to the rates of progress seen among the *Top 25 percent improvers*. These Top 25 percent are selected based on rates of growth contingent on starting levels (i.e. allowing for slower growth at higher starting levels).

The costs and the finance plan assumptions used in the projections are based on in-depth analyses of international trends, research papers from the field, and expert consultation. This is a bottom-up model. **The unit of analysis is the student** – i.e., what is the learning context that each student needs to remain in school and learning? To estimate the cost of what students need, the Commission research team analyzed programs and policies using meta-analysis, the SABER database, an integrated intervention-based projection module, and commissioned research papers. The insights were brought together in a high-level estimate of resources needed to raise learning outcomes and access to the Vision path levels. The estimate is not prescriptive, but provides a reasonable budget that can be used in different ways to improve students' education. One of the central insights from this analysis is that *to improve quality, most countries will need to add inputs, but those inputs are synergistic with existing resources (e.g. teachers) and the additional costs are often far less than proportional to improvements* (elasticity greater than one).

The analysis was translated into specific assumptions for per student resources including: class size and appropriate teacher salaries; sufficient materials and teacher support; support for marginalized students; and construction investments. The table in Annex 2 provides more detail on specific assumptions. Mathematically, the costs per student are the product of: teacher salary, multipliers for materials and support for marginalized students, divided by the pupil-teacher ratio, plus classroom construction. The number of new classrooms needed is computed with a continuous inventory model and total need as required for all students (assuming one classroom per teacher). The total costs for each level and country are the product of the number of students projected in the Learning Generation Vision and the costs per student.

It should be noted that, while the costs per student are malleable to assumptions, reasonable ranges for the components of unit costs are limited. The Commission's settings for these cost items – salaries, pupil-teacher ratios, materials, support, and construction – are based on the above-mentioned analyses, and represent somewhat **conservative unit cost estimates** that assume that the **resources are being used efficiently** (e.g., not lost to corruption).

The largest cost pressures are *low per capita incomes* and *high population growth*. At low incomes, the relative salaries of teachers, classroom construction, and support for marginalized students are high. In countries with high population growth, there are fewer adults to support the large school-age cohorts and there are higher needs for new classrooms and training new teachers.

The model was also used to develop the Commission's **financing plan**. This plan includes estimates of domestic resource mobilization, household spending, and international assistance (as the residual).

Domestic resource mobilization is the product of government expenditure as a percentage of GDP and allocation to education. Unlike earlier models, the Commission's model projects government education expenditure based on *each countries' actual starting points* and a *multivariate statistical model for public resource deployment* developed by the Commission. The model predicts international average pathways for overall government expenditure and allocation to education, based on GDP per capita, population size, fragility, and region (other factors were considered but discarded in the analysis). The Commission identified an Average path, based on the historical correlations of all countries, and an Ambitious path taking only the *Top 25 percent contingent on income, population, fragility, and region*. This approach accommodates the historical fact that poorer countries are more limited in the percentage of GDP that government can expend. For the finance plan, the Commission used the Average path for total government expenditure and the Ambitious path for allocation to education.

Starting levels of household expenditures were estimated based on observed unit costs and number of students minus government expenditure and external finance in 2014. The Commission's estimates are in line with those of UNESCO (GEMR, 2015). The model requires the user to specify *maximum* household expenditure for preschool- secondary and post-secondary, by country income group. For future household expenditures the Commission followed the principle of progressive universalism and set these maxima at: 5 percent of costs of preschool-secondary, and 25 percent of post-secondary costs for low-income countries; 10 and 50 percent respectively in LMICs;

15 and 50 percent in UMICs. If government finance can expand sufficiently, these maxima are not reached. For example, by 2030, households in UMIC countries are projected to pay less than 10 percent of the total costs.

The external finance requirements computed for this paper are the residual of costs minus government finance minus household expenditures.

While the model is focused on education, it uses **contextual information** on GDP and school-age population growth. The GDP growth scenario is based on the IMF's World Economic Outlook for the first 10 years of the projection horizon; and assumes convergence to 5 percent p.a. growth subsequently. For population, the UN Medium population projection is used. GDP per capita is an important determinant of unit costs, and the population determines the number of targeted students.

II. WHY IS MORE FINANCING NEEDED?

The Education Commission makes the case that BOTH the effectiveness and level of spending needs to increase.

1. What can be achieved by improving efficiency and effectiveness of existing domestic and external resources?

1 - Have increased financial resources to education led to improved education outcomes?

The debate about whether increased spending will lead to improved outcomes is long-standing and complex. Increasing spending alone is insufficient to deliver improved education quality but evidence suggests that increased spending does have an impact on the quality of education systems when targeted effectively. **Particularly as countries remain below international benchmarks for financing to education or as spending per child is insufficient to fund a lifecycle at school, each additional dollar – if invested well – has the potential to transform systems and provide quality schooling to more children and youth.**

For instance, a recent paper[15] explores the question of whether education systems with different levels of education spending have different student achievement levels according to PISA results. The authors find a statistically significant association between education spending and student performance in mathematics in low-spending countries – systems that spend below a threshold of US$8,000 per student annual (in purchasing power parity). Within this threshold, of which all low- and middle-income countries fall, mean student achievement is approximately 14 points higher on the PISA scale for every additional US$1,000 spent.

Similarly, a study of education systems in Latin America and the Caribbean[16] finds clear evidence that increased spending on primary and secondary education has been complemented by improvements in service delivery, reduced student-teacher ratios, improved school infrastructure, and higher test scores on international assessments.

[15] Vegas, Emiliana and Chelsea Coffin. (2015) "Why education expenditure matters: An empirical analysis of recent international data." *Comparative Education Review,* Vol. 59. No. 2.
[16] Inter-American Development Bank. (2018). Better spending for better lives: How Latin America and the Caribbean can do more with less. Eds. A Izquierdo, C. Pessino and G. Vuletin

Increased financing to education – ***when invested well*** – can have a clear and substantial effect on improving school services and educational outcomes. A recent review paper[17] finds that "…quasi-experimental literature that relates school spending to student outcomes overwhelmingly support a causal relationship between increased school spending and student outcomes," reinforcing similar findings from previous observational studies. The author finds that, out of 13 studies,12 show a positive, statistically significant relationship between education spending and student outcomes. Though, again, not all spending is created equal. Unrestricted spending most consistently led to better student outcomes, whereas textbook spending and construction spending has mixed effects. While this evidence is drawn from experiences in the United States, the marginal effect may be similar (or potentially greater) in low- and middle-income contexts where fewer resources are spent on education at the baseline.

Critically, improving effectiveness of education investments requires a system approach as highlighted in the Education Commission's Learning Generation report as well as the 2018 World Development Report on education. Quality education sector plans – a key eligibility criterium for financing from IFFEd – are key documents in guiding decisions regarding financial and technical support to the education sector and can play a critical role in improving the effectiveness of education spending. The importance of such plans was underlined in 2000, when world leaders came together at the World Education Forum in Dakar and promised to guarantee financial support to countries with credible and democratically developed plans to achieve Education For All (EFA). The quality of the plans is critical which is why international organizations such as the GPE and the IIEP have developed international guidelines.

2 - What spending levels should we expect in the future?

In its estimates of the costs to deliver education in the future, the Commission uses current spending levels as a starting point for its projections but introduces significant efficiency savings over time. Thus, future financing needs are underpinned by *ambitious* assumptions regarding the implementation of reforms to enhance the effectiveness of the education system, in addition to increased domestic investment. As a result of these increased efficiencies, average unit costs are expected to increase only marginally between 2015 and 2030 (and even shrink at some education levels). **In other words, Commission estimates of costs already incorporate huge efficiency savings based on evidence around current inefficiencies and a package of investments that could improve learning outcomes. Any slippage on these savings or delays in investments would lead to even larger costs and financing needs into the future.**

[17] C. Kirabo Jackson. "Does School Spending Matter? The New Literature on an Old Question" (2018) Available at: http://works.bepress.com/c_kirabo_jackson/38/

Table 4: Unit costs per pupil to achieve the Learning Generation vision (US$), weighted average, adjusted for changes in income classification over time

	LICs	LMICs	UMICs
2015			
Average Unit Costs			
Pre-primary	$ 131	$ 567	$ 1,486
Primary	97	363	1,165
Lower-secondary	203	536	1,623
Upper-secondary	400	691	1,791
Post-secondary	1,515	2,104	3,808
2030			
Average Unit Costs			
Pre-primary	$ 372	$ 739	$ 1,895
Primary	173	349	1,363
Lower-secondary	258	560	1,863
Upper-secondary	305	619	2,060
Post-secondary	1,314	2,386	6,294

Source: The Education Commission (2016)

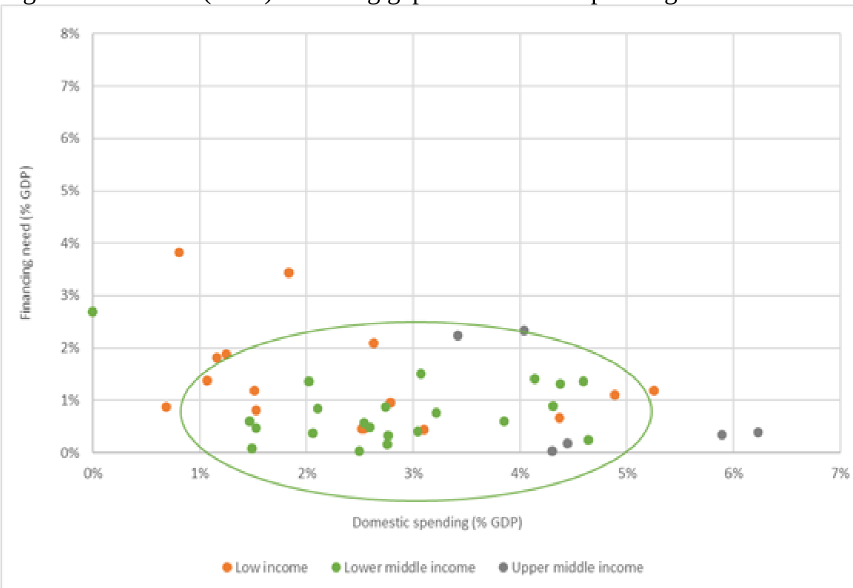
A focus on education quality and equity will also ensure that more children and youth are gaining necessary skills. We project an additional $41 billion in basic education costs in LMICs by 2030 to achieve the Commission's Learning Generation vision as compared to the trend scenario. However, as these estimates would generate an additional 106 million children and adolescents in school and learning, costs per student learning secondary skills are nearly cut in half in 2030 – from $1,400 to $900 (i.e. total spending of $146,059 for 102 million learning students under the trend scenario to $187,466 for 208 million learning students under the vision scenario).

2. Why do we need external financing? Can't LMICs pay for education from their own resources?

Commission financing estimates assume that the greatest share of additional funds will come from domestic sources as countries ramp up their own commitments for education, increasing public expenditure to match the growth path of the top 25 percent fastest improving countries. At the model baseline in 2015, domestic spending in LMICs is spread widely between 1 and 5 percent of GDP, clearly showing the need for governments to step up investment (Figure 6).[18]

[18] Figures only shows countries with a projected financing gap by 2030

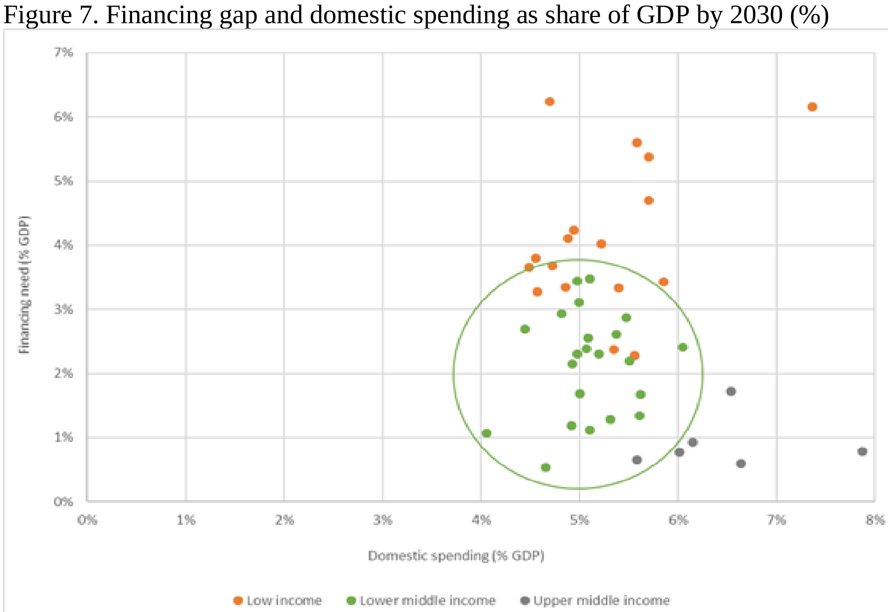
Figure 6. Baseline (2015) financing gap and domestic spending as share of GDP (%)



Source: The Education Commission (2016)

In contrast, by 2030 we can see that, according to Commission projections that replicate the ambitious pathway led by the top 25 percent of performers, LMICs could spend, on average, between 4-6 percent of GDP on education, reaching international benchmarks endorsed in the Education 2030 Framework for Action (Figure 7). However, even with these higher levels of investment a financing gap remains. This suggests that the estimated costs of achieving the SDGs outpace countries' economic growth and ambitious efforts to increase domestic investment.

Figure 7. Financing gap and domestic spending as share of GDP by 2030 (%)

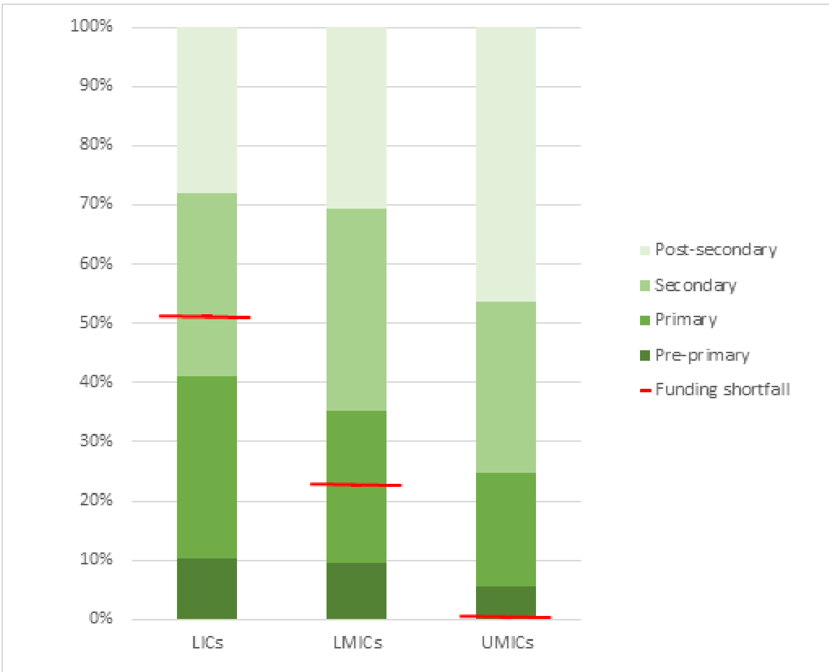


Source: The Education Commission (2016)

Looking at the projected total costs by 2030 to achieve the Learning Generation vision, the funding shortfall in LMICs represents about 20 percent of the overall cost (Figure 8). This is a smaller share as compared to LICs, where the funding shortfall represents half of total costs, demonstrating the continued need for organizations and instruments to target the poorest countries. In absolute terms, however, the funding gap in LMICs – $71 billion by 2030 – far outweighs LICs, showing the need for increased financial support, particularly as domestic financing projections are calculated based on ambitious assumptions that are likely beyond the reach of many countries.

Importantly, IFFEd will also catalyze MDBs' help to countries to enhance the effectiveness of domestic spending and the prioritization of learning, equity and access. These goals are guided by baselines and targets set out in an IFFEd Results Framework and monitored through annual reporting by MDBs describing the loans that have been financed as a result of IFFEd, the expected results to be achieved through such financing, and the trends in MDB funding for education both as a result of IFFEd's additional financing and its regular non-concessional lending.

Figure 8: Projected costs by 2030 to achieve Learning Generation vision as a share of total costs (%), by education level, *adjusted for changes in income classification over time*



Source: The Education Commission (2016)

3. What is the financing need by level of education?

The Commission's projections do not estimate domestic spending levels or the financing gap by education levels as it ascribes to the principle of country ownership, in line with key aid effectiveness principles as outlined in the Paris Declaration on Aid Effectiveness. The overarching policy framework for the programming of resources will be the country's education sector plan and the policy goals of IFFEd.

To enhance equity and inclusion in education, the Commission recommends that public financing be allocated in accordance with the principle of progressive universalism. It urges countries to prioritize lower levels of education but also allows for some support of post-secondary education with a focus on pro-poor investments that significantly widen access for the poor and improve the quality and relevance of higher education. The appropriate share for post-secondary education will vary greatly by country and by region. Nonetheless, funding for post-secondary education will not exceed pre-determined cap of the total financing available in any replenishment period.

Countries will thus have the opportunity to allocate funds – domestic, household, and international financing – where each source could have the greatest impact on the goal of achieving equitable access to quality education. In accordance with the principle of progressive universalism, the Learning Generation model caps private household spending at all levels [19] and assumes that the maximum household expenditure is much lower for basic education as compared to post-secondary (10% and 50%, respectively, for LMICs). This reflects the assumption that, in a resource constrained environment, households are better placed to fund higher education because of higher private returns at that level, whereas domestic and international financing could be directed at lower levels of education with a focus on equity and expanding access for all.

4. What are the trends in education ODA?

Despite a large funding shortfall for education, international development assistance has not kept pace with need. In absolute terms, ODA disbursements to infrastructure and health programs have increased at a quicker pace than education (Figure 9). While disbursements equaled between $7 and $9 billion in 2004 for all sectors, by 2016[20] disbursements to infrastructure and health reached nearly $28 billion and $20 billion, respectively. Disbursements to education, in comparison, grew to only $11 billion. In relative terms, the picture for education is even more stark. As a share of sectoral ODA, disbursements to education fell from 13 percent in 2004 to 10 percent in 2016 (Figure 10). In comparison, disbursements to health and infrastructure both grew – in the case of health, from 15 percent to 18 percent, and in the case of infrastructure, from 18 to 25 percent.

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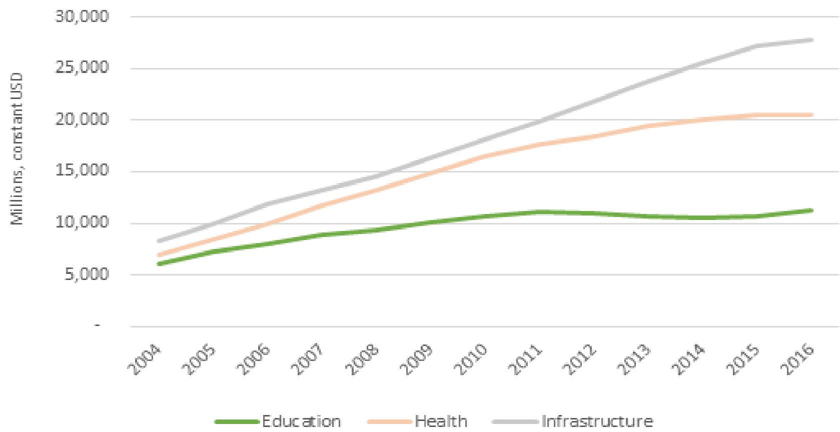
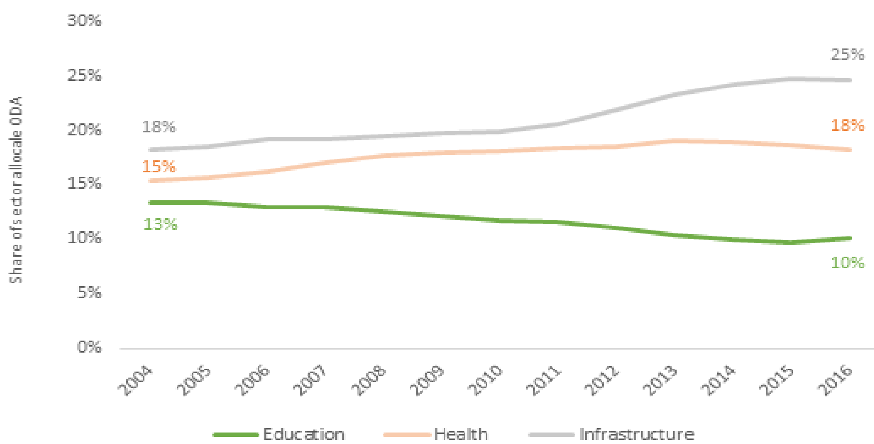
[19] This assumption recognizes that, despite the SDG 4.1 goal for free primary and secondary education, households in low- and middle-income countries currently fund a larger share of education costs than their higher income counterparts.
[20] 2002-2004 and 2014-2016 averages

Figure 9. Total ODA disbursements from all donors to all developing countries, by sector, moving 3-year averages



Source: OECD-DAC creditor reporting system[21]

Figure 10. ODA disbursements as a share of sectoral ODA, by sector, moving 3-year averages



Source: OECD-DAC creditor reporting system

As highlighted in the Learning Generation report, the sector has also suffered from limited support from multilateral donors as well as emerging and private donors compared to other sectors. Disbursements from multilateral agencies represent only one third of total ODA for education, compared to 60 percent for health. Among multilateral donors, education has seen a decline from 10 to 7 percent of total aid over the past decade, while support for infrastructure has increased from 30 to 38 percent. Data from emerging donors is limited, but of the non-DAC donors reporting their sectoral aid levels, education represented less than 5 percent of total financing in 2014. Similarly, U.S. foundations decreased their share of funding for education from 7 percent in 2005 to 4 percent in 2015, but at the same time increased their financing for health from 39 to 44 percent.[22]

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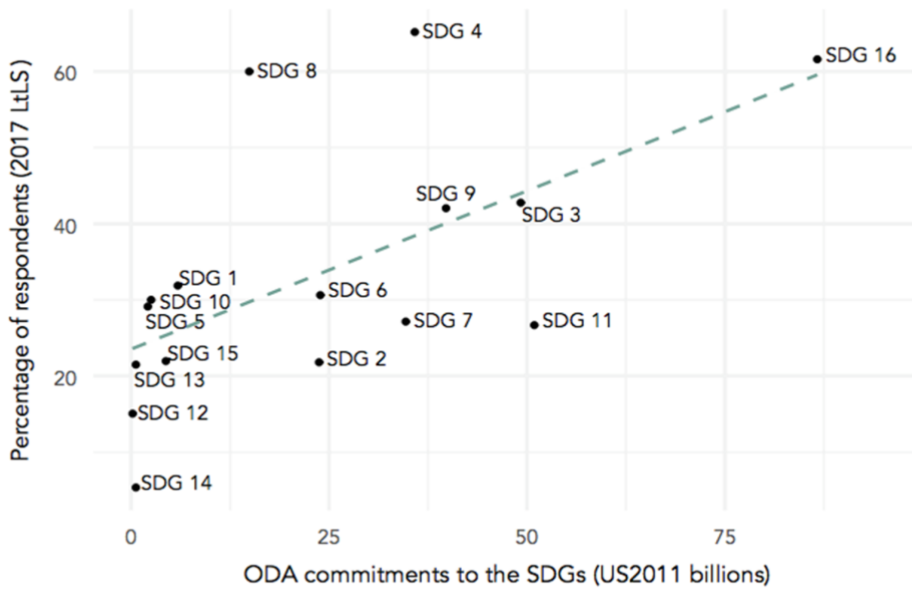
[21] **Education:** DAC code '110: I.1. Education, Total'. **Health**: Sum of DAC codes '120: I.2. Health, Total' and '130: I.3. Population Policies/Programmes & Reproductive Health, Total'. **Infrastructure**: DAC code '200: II. Economic Infrastructure & Services, Total'

[22] Education Commission (2016). The Learning Generation.

The lack of prioritization of education in international financing is at odds with demand from countries and citizens for the prioritization of education investment. A recent large-scale survey of policy leaders across the public, private, and civil society sectors in 126 low- and middle-income countries found that education is a top development priority across all regions and income groups. Specifically, over 60 percent of leaders highlight the education sustainable development goal (SDG4) as the most important goal to advance their country's development – the highest ranking of all sectors (Figure 11). Similarly, citizens consistently rank education as a top priority according to the UN's My World Survey.

Figure 11. Relationship between the priorities of donors and the priorities of national leaders



Note: This figure shows the relationship between the perceived priority of each SDG on the Y-axis (as measured by the percentage of respondents who selected the SDG as one of their top 6 priorities in the 2017 LTLS), and the total amount of ODA allocated to a given SDG between 2000 and 2013 on the X-axis.[23]

III. WHY ARE MDBS THE BEST OPTION TO PROVIDE FINANCING?

There is significant scope and compelling reasons to grow multilateral aid to education: (i) levels of bilateral aid to education have stagnated in recent years,[24] (ii) multilateral financing as a share of total education financing is low, (iii) funding from other sources including global funds and foundations is low relative to other sectors such as health, and (iv) multilateral aid has the potential for greater equity and allocative efficiency (rules-based allocations), and greater effectiveness (alignment to national priorities and systems strengthening).[25]

[23] S. Custer et al. (2018). Listening to Leaders 2018. Is development cooperation tuned-in or tone-deaf. Aid Data. A research lab at William & Mary.
[24] The slight uptick in education ODA in 2016 was due to an increase in multilateral lending
[25] Education Commission (2016). Learning Generation. Investing in education for a changing world.

MDBs are in unique position to help grow more and more effective multilateral aid for education for at least 4 reasons (further details can be found below). Annex 3 provides detailed profiles of MDBs activities in education.

1. The MDBs are extremely efficient at mobilizing additional finance at the global level.
2. The MDBs are uniquely placed to improve the effectiveness of spending through system wide and results-based approaches.
3. The MDBs are uniquely placed to unlock more and better domestic public expenditure at the country level.
4. The MDBs are firmly focused on poverty reduction and on equity, both at the strategic level and in their operational policies and procedures.

Two recent independent assessments of aid donors rank MDBs highly on indicators of effectiveness despite dramatically different methodologies – one being a top down technical assessment of aid quality and the other a bottom up survey of recipients. In the latest release of the Center for Global Development's Quality of Official Development Assistance dataset (QuODA), which creates an index based on four themes (maximizing efficiency, fostering institutions, reducing burdens, and transparency and learning), MDBs hold four of the top five spots. The Global Fund and GAVI also place in the top 10. Similarly, a 2017 survey of 3,500 leaders conducted by AidData identified multilateral agencies as being the most helpful partners in implementing policy changes in practice. In their rankings, multilaterals take 8 of the top 10 spots (Figures 12 and 13).

Figure 12. QuODA's aid quality ranking of bilateral countries and international agencies[26]

New Zealand	1
Asian Development Fund	2
African Development Fund	3
Inter-American Dev. Bank Special Fund	4
International Development Association	5
Denmark	6
The Global Fund	7
Ireland	8
GAVI the Vaccine Alliance	9
Australia	10
Portugal	11
Luxembourg	12
Canada	13
Sweden	14
Netherlands	15
EU Institutions	16
Belgium	17
Finland	18
Japan	19
Int. Fund for Agricultural Dev.	20

Figure 13. AidData's ranking of development partners' perceived helpfulness (% of responses that rated that partner as "quite helpful" or "very helpful"[27]

Most Helpful Partners	%
1. Global Alliance for Vaccines and Immunization (GAVI)	85.4%
2. International Monetary Fund (IMF)	85.1%
3. United Nations Children's Fund (UNICEF)	83.9%
4. World Bank	83.7%
5. European Union	82.9%
6. Inter-American Development Bank (IDB)	82.8%
7. Global Fund to Fight AIDS, Tuberculosis and Malaria	82.5%
8. United States	81.1%
9. African Development Bank (AfDB)	78.6%
10. United Nations Development Program (UNDP)	77.7%

[26] https://www.cgdev.org/topics/quoda

[27] Custer, S., DiLorenzo, M., Masaki, T., Sethi, T., and A. Harutyunyan. (2018). Listening to Leaders 2018: Is development cooperation tuned-in or tone-deaf?. Williamsburg, VA: AidData at the College of William & Mary.

Similarly, the UK's latest Multilateral Development Review[28] also recognizes that MDBs and Global Funds are achieving exceptional results and calls for continued strong support while still pressing for high standards. The five major development banks – ADB, AfDB, IDB, EBRD, and WB – all scored "good" or "very good" on standards of organizational strength and alignment to UK and international development objectives. These scores reflect impressive performance in relation to value for money, risk and assurance, transparency and accountability, as well as relevance for achieving the Global Goals and collaboration on cross-cutting issues such as gender equity and climate change. The report calls for continued efforts to strengthen collaboration among agencies to respond to complex, global challenges.

[28] DFID. (2016). Raising the standard: The Multilateral Development Review 2016.

Figure 14. Multilateral Development Review agency scores

Multilateral agency	**Match with UK development objectives**	**Organisational strength**
African Development Bank	Good	Good
Asian Development Bank	Good	Very Good
Caribbean Development Bank	Good	Adequate
Central Emergency Response Fund	Very Good	Adequate
Climate Investment Funds	Good	Good
Commonwealth Secretariat	Adequate	Adequate
European Bank for Reconstruction and Development	Good	Good
European Commission development (DCI and EDF)	Very Good	Good
European Commission Humanitarian Aid and Civil Protection	Very Good	Good
Food and Agriculture Organisation	Good	Good
Gavi, the Vaccine Alliance	Very Good	Very Good
Global Environment Facility	Good	Good
Global Facility for Disaster Reduction and Recovery	Adequate	Adequate
Global Fund	Very Good	Very Good
Global Green Growth Institute	Not scored	Not scored
Global Partnership for Education	Very Good	Adequate
Green Climate Fund	Not scored	Not scored
Inter-American Development Bank	Good	Good
International Committee of the Red Cross	Very Good	Good
International Federation of Red Cross and Red Crescent Societies	Very Good	Adequate
International Finance Corporation	Good	Good
International Fund for Agricultural Development	Good	Good
International Organisation for Migration	Good	Adequate
Office of the High Commissioner for Human Rights	Good	Adequate
Private Infrastructure Development Group	Good	Good
UNAIDS	Good	Adequate
UNFPA	Good	Good
UNICEF	Very Good	Good
UNITAID	Very Good	Good
United Nations Development Programme	Good	Good
United Nations Educational, Scientific and Cultural Organisation	Adequate	Weak
United Nations High Commission for Refugees	Good	Adequate
United Nations Office for the Coordination of Humanitarian Affairs	Good	Adequate
United Nations Peacebuilding Fund	Very Good	Adequate
UN Women	Good	Adequate
World Food Programme	Good	Good
World Health Organisation	Very Good	Adequate
World Bank (IDA and IBRD)	Very Good	Very Good

Scoring legend

Rating and colour	Weak	Adequate	Good	Very Good
Score	0 to 2.0	2.01 to 2.5	2.51 to 3.0	3.01 to 4

1. Why are MDBs the best institutions to provide leverage to help address the financing gap?

1 - MDBs can leverage their capital base and multiply resources in the most efficient way

MDBs can borrow in capital markets and provide loans equal to several times their capital while retaining AAA ratings. This makes MDBs excellent institutions to provide development finance. For instance, a recent study[29] highlights the comparative advantage of MDBs in contributing to the achievement of the SDGs. The report found that the unique financial structure of the MDBs allows them to leverage contributions from their shareholders and multiply them into financing at low cost and use the financing capacity in turn to crowd in financing from other sources. A recent report by the G20 Eminent Persons Group also highlighted IFIs' unique ability to pool and diversity risk across the development finance system to unlock large volumes of capital.[30]

MDBs' capacity to leverage finance could be enhanced even further if they cooperated more as a system. While MDBs' considerable human and cultural assets can help clients, teamwork among the multilaterals is rarely encouraged.[31] IFFEd, as an MDB collaborative partnership, could catalyze increased MDB engagement and investment in reforming the education sector and enhancing their impact, effectiveness, learning and synergies. For example, IFFEd will support the establishment of an MDB Committee to facilitate frequent discussions and collective oversight of IFFEd's activities, which will facilitate MDB collaboration.

The goal of increased collaboration is in line with findings of a recent report by the G20 Eminent Persons Group on Global Financial Governance,[32] which found that lasting development impact is only possible if we leverage the combined strengths of global, regional and bilateral institutions to work as a system – exploiting the untapped potential for collaboration among international financing institutions. Increased coordination would take full advantage of the unique roles of these institutions as multipliers of development, seen through their unmatched skills in institution-building and spreading of policy knowhow, helping governments improve the investment environment, and mitigating risks to unlocking private investment.

Using leveraged MDB funds is particularly suited to address the financing gap in LMICs as this group of countries can be financed by a mix of concessional and non-concessional funding, given their greater ability to repay relative to LICs. LICs, on the other hand, should be primarily financed through grants and concessional financing, where additional financing is already being mobilized through (1) enhanced IDA, (2) GPE replenishment and (3) greater donor prioritization.

2 - MDBs have increasing experience with innovative financing mechanisms

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[29] A. Bhattacharya, Kharas, H., Plant, M., and Prizzon, A. (2018) The new global agenda and the future of the multilateral development bank system. Brooking Institution, CGD, and ODI.
[30] G20 Eminent Persons Group on Global Financial Governance. (2018). Making the global financial systems work for all.
[31] A. Bhattacharya, et al. (2018)
[32] G20 Eminent Persons Group. (2018). Making the global financial system work for all.

MDBs have been at the forefront of global efforts to develop innovative instruments to mobilize more resources for the SDGs. In 2015, they issued a report including various options to turn “Billions into Trillions” for development.

Previous experience with the use of guarantees to leverage additional financing have been promising. For instance, the ADB approached Sida for a risk transfer arrangement to relieve lending constraints and release equity. Sida is guaranteeing US$155 million over 10 years, which could expand lending by an estimated US$500 million in non-earmarked funds. Features of the partnership include Results Framework reports on the development impact, effect on inclusive growth, and contribution to achieving the SDGs. Guarantees are also complemented by reporting on “model projects” – practical demonstrations of ADB operations in inclusive and sustainable growth – that are of an equivalent value to the lending room freed up by the risk transfer.

IFFEd is a further innovation beyond more traditional bilateral guarantees which generally provide only a one-on-one leverage. Portfolio insurance provides protection across the entire portfolio, thus allowing MDBs to leverage the contingent financing multiple times.

2. What is the MDB experience in improving learning outcomes in education?

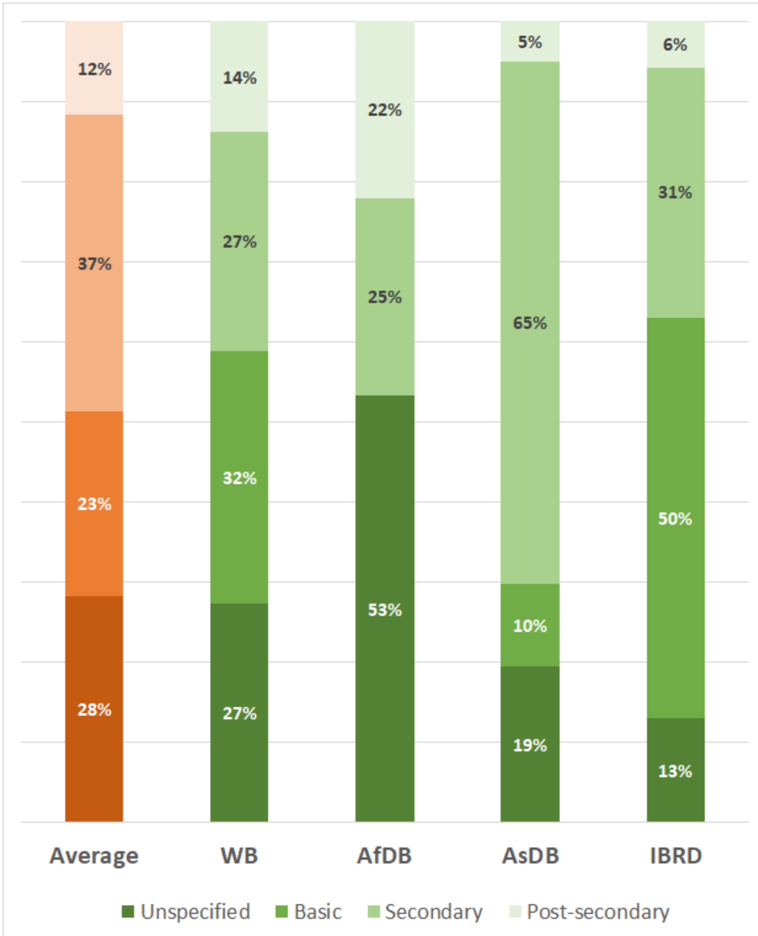
MDBs’ ability to improve learning outcomes is driven by (1) their system approach to education reform; (2) their technical expertise and convening power, (3) their use of Results-Based Financing (RBF) instruments and (4) their strong evaluation practices of lending portfolios.

First, in alignment with growing evidence around how learning outcomes can be improved, MDBs apply a system-wide approach to their programming and financing. For instance, the World Bank takes an integrated approach to education that ensures learning across all levels of education. The bank prioritizes system quality and cohesion by focusing its operational and technical support on: 1) early childhood education; 2) integrating curriculum, instruction, and learning assessments; 3) teachers’ professional development; 4) education system management; and 5) system monitoring and metrics. Many projects contain access and equity components that specifically target special education, out-of-school children, girls’ education, and underrepresented or marginalized groups.

Box 2: World Bank Group Education Strategy 2020

> “… a system approach must also include a strategy for addressing equity problems across population groups. A well-functioning education system will therefore have policies or programs that examine the coverage of the system and address the disadvantages faced by some population groups (e.g., low-income groups, ethnolinguistic minorities, disabled people, and girls) and will target special resources to assist those disadvantaged groups.” p.36

Figure 15. MDB disbursements (ODA & OOF) by level as % of total education financing (2014-2016 average)



Source: OECD-DAC Creditor Reporting System

Second, many MDBs have strong technical expertise and convening power – including in education – and the ability to produce world-class research and knowledge products. This body of knowledge is essential to improve our understanding of how to address critical education challenges. This applies not only to flagship products like the 2018 World Development Report on education, but also to a large and high quality output of research, evaluations, analytical and advisory services for both client governments – directly linked to country operations – and for the international community more broadly.

Third, their commitment to efficiency and cost-effectiveness is evidenced by increasing demand within the past decade for further experimentation with results-based financing mechanisms.[33] The World Bank launched its Program for Results instrument in 2012; the ADB launched its six-year pilot of an RBF instrument in 2013; and, more recently, the African Development Bank has proposed creating a lending instrument based on investment project financing and disbursement-linked indicators.

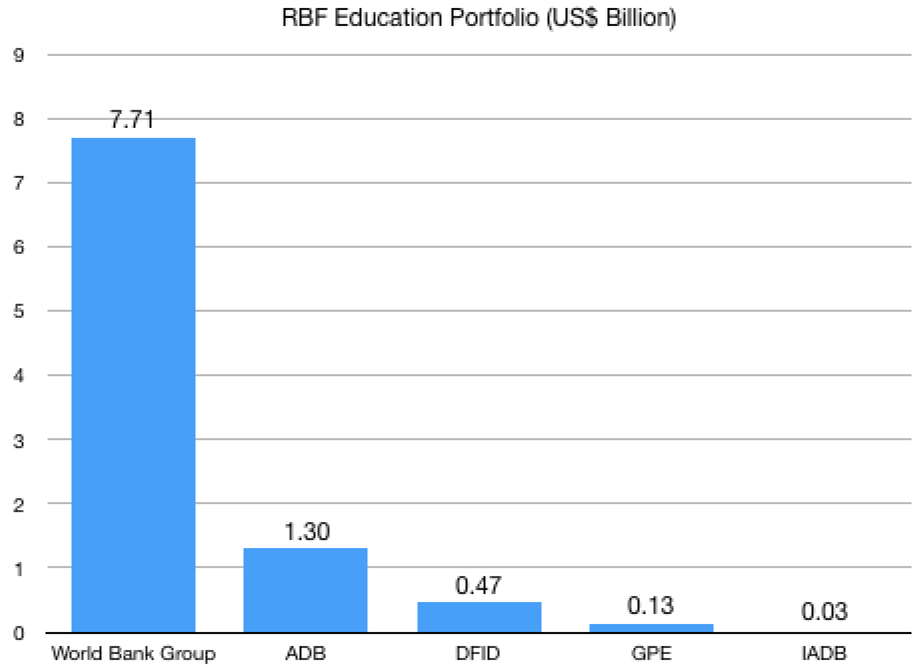
[33] Lee, J.D., and O. Medina. (forthcoming). Results-based financing in education: Learning from what works. Washington, DC: World Bank.

The WB is the primary funder of RBF in education (Figure 14) and is building a body of evidence of how to make RBF most effective – e.g., by anchoring programs in strong theory of change within a particular country context, providing implementation support, and designing programs based on good understanding of how incentives work for teachers, students and families, and schools. The World Bank's assessment of the potential benefits of RBF is, however, both sober and proportionate. It neither overplays the benefits, nor underplays the complexities, of successful execution.[34] A 2017 World Bank report[35] emphasizes the potential to strengthen education systems by aligning and incentivizing actors around a set of common results.[36]

While operating on a smaller scale of funds compared to the World Bank, ADB is one of the pioneers of RBF for education. Of a grand total of $4.18 billion committed in RBF projects, 1.31 billion (31.1%) is committed in the education sector. According to a mid-term review of the ADB's RBF instrument, early experience has been positive and demand is expected to grow. RBF instruments have helped build up accountability and country ownership by placing the responsibility for achieving results on government structures rather than project management units, and have also lent realism to aspirational government programs through more careful analysis of the results chain. The instrument also generated a multiplier effect, increasing ADB's leverage and development results by allowing ADB to fund a portion of government-owned programs while retaining influence over the whole program. Through the adaptation of common results areas with other development partners, RBF has also provided a strong platform for enhanced donor coordination.

[34] As emphasized in the January 2018 GEMER Policy Paper on RBF in Education: 'Walk before you run: the challenges of results-based payments in aid to education', Global Education Monitoring Report, Policy Paper 33, January 2018
[35] http://documents.worldbank.org/curated/en/715791489054110215/Results-based-financing-in-education-financing-results-to-strengthen-systems
[36] The World Bank guidance note proposes four principal benefits for results-based financing in education: (i) flip the policy dialogue to where we want to be in five years, (ii) sustain attention & focus across crises, fads, and changing Governments, (iii) align all actors around prioritised results that really matter, (iv) institutionalize measurement systems for lasting impact.

Figure 14. Education RBF Portfolio of Major Donors (2008-2018)



Note: Of the GPE portfolio, 93.5 percent is implemented by the World Bank (and thus also shown in the World Bank column), and the remaining 6.5 percent is implemented by the DFID (also shown in the DFID column). IADB = Inter-American Development Bank.

Source: Lee and Medina, forthcoming.

Beyond the World Bank, the IDB has experience with RBF mechanisms in social sectors, including health and education. For instance, the Salud Mesoamerica Initiative (SMI) is a public-private partnership that aims to reduce maternal and child health inequalities through a results-based financing model, aligned with priorities established by the governments of Chiapas, Mexico. The model is based on four basic concepts: 1) countries have to work within the poorest 20% of their populations; 2) funds can only finance evidence-based, cost-effective and promising interventions; 3) all projects are co-financed by SMI and countries (50% average cost-sharing, leveraging domestic funding) and; 4) all results are externally verified by an independent third party. Based on the success of the SMI model, the IDB has recently launched a US$30 million results-based loan to improve student learning and competencies at the primary and lower secondary levels in Uruguay (Generation C: Consolidating Educational Innovations for 21st-Century Skills and Competencies).

Finally, MDBs have strong internal evaluation mechanisms in place to ensure effectiveness of spending. The Independent Evaluation Group at the World Bank, for instance, evaluates the activities of the bank with the objectives of (1) deepening evidence about the results of WBG programs and their contribution to strategic priorities and, (2) generating evidence on operational choices to enable mid-course corrections and promote a stronger internal culture for results, accountability and learning. The IDB, similarly, has put in place a system to design sound development projects, monitor their progress and measure their results and impact. Results at completion are reported are externally validated by the Office of Evaluation and Oversight – an independent office of the bank that aims to provide accurate, constructive, and evidence-based information on the performance and development effectiveness of activities. An earlier review of lending to secondary education between 1995-2012 recommended that Bank support focus centrally on the quality of education, including investing more resources in understanding the root causes of poor-quality education, determinants of student and teacher performance, and "what works."[37]

3. Why are MDBs best placed to help leverage domestic resources?

In addition to the unique leveraging power behind the MDBs, the banks are also best-placed to enhance overall funding for education through the additive effects of domestic resource mobilization.

MDBs are uniquely placed to unlock more and better domestic public expenditure at the country level. Country engagement with the MDBs on the full spectrum of a country's development agenda enhances the effectiveness of total government spending through associated technical assistance and institutional strengthening.

In their "Billions to Trillions: Transforming Development Finance" paper,[38] prepared in advance of the 2015 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 strengthen their tools and collaboration to enhance countries' capacity in these areas.

In response, the World Bank has partnered with the IMF, OECD, and UN to launch the Platform for Collaboration on Tax, which aims to boost countries' ability to build more equitable, efficient tax systems and ensure that the interests of developing countries are heard in the growing international dialogue on tax reform. This effort builds on momentum from the 2015 Addis Tax Initiative, which sought to mobilize funding and country ownership for tax system reform. The Asian Development Bank also joined the ATI and established a special DRM Trust Fund to enhance the Bank's engagement in this area.

According to the World Bank IDA18 mid-term review,[39] several commitments to provide country support in governance and domestic financing have already been delivered and exceeded, or are likely to exceed, targets in key areas. For example, on increasing Tax/GDP ratios (with support to close to two-thirds, instead of one-third, of countries), Public Expenditure and Financial Accountability (PEFA) assessments (with the targeted ten countries already delivered and several more ingoing), or helping

[37] Inter-American Development Bank Office of Evaluation and Oversight. (2013). Review of IDB support to secondary education: Improving access, quality and institutions, 1995-2012.
[38] "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.
[39] World Bank. (2018). IDA18 Mid-Term Review: Implementation and results progress report. "Towards 2030: Investing in Growth, Resilience and Opportunity: Delivering on innovation and transformation & managing IDA resources for greatest impact."

identify and address institutional bottlenecks to service delivery in health, water, and/or education sectors (with eight out of ten countries already supported and eight more ongoing).

4. How do MDBs help target the most marginalized?

All MDBs are firmly focused on poverty reduction and on quality, both at the strategic level and in their operational policies and procedures. For education, a strong comparative advantage of the MDBs lies in their systems-approach, which addresses equity and quality through whole system reform (Box 3). They also have well-developed and well-monitored processes with regards to environmental and social safeguards.

Box 3. Select MDB programs in support of equity in education

African Development Bank
In Eritrea, the AfDB has focused on improving the country's low human development index rating by creating more opportunities for education through teacher training, increasing access to quality education, capacity-building and eliminating gender disparities
Asian Development Bank
In Vietnam the ADB is helping to cut barriers to lower secondary schooling for disadvantaged groups. The project funds new school facilities, teacher training, textbooks, community outreach activities and the creation of school cluster groups to boost enrolment and retention of disadvantaged students, targeting areas with large ethnic minorities and those prone to typhoons. In the North Pacific, the ADB is supporting the Marshall Islands and the Federated States of Micronesia to strengthen basic education by supporting teacher training, introducing new bilingual learning resources, and increasing community engagement to improve learning outcomes.
Inter-American Development Bank
The IDB is supporting Ecuador to consolidate considerable gains made by the country in education quality and coverage by providing assistance to improve school completion rates for the approximately 250,000 youth who have not finished secondary school and have been outside of the education system for over three years.
World Bank
In Pakistan, the Sindh School Monitoring System—the country's first digital monitoring system in the education sector— is leading to the transparent and effective monitoring of staff, students and school infrastructure as a way to reduce absenteeism and other challenges faced in the area's school system. As part of the program, which was implemented in 2017, more than 210,000 teaching and non-teaching staff have been profiled using biometric information, covering more than 26,200 schools. In Nigeria, the Bank Group approved an additional $100 million for the State Education Program Investment Project that will contribute to the return of students—particularly girls—to schools in the North East states of Borno, Yobe, Adamawa, Bauchi, Gombe, and Taraba. Together with partners, the project will help identify out-of-school children, especially girls, and strategize on ways to bring them into school. In Nicaragua, the Education Sector Strategy Support Project helped certify more than 2,300 community preschool teachers—about a quarter of the national total— through a two-year training. Additionally, the project distributed 190,000 books for secondary school students in five key subjects: Spanish language and literature; mathematics, natural sciences; social sciences, and English.

A particularly important area of increased attention in MDB operations and programs is 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 and 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.

For instance, WB IDA lending is addressing the gaps between men and women through a more systematic approach, in line with the implementation of the Bank's gender strategy. According to the World Bank IDA18 mid-term review, the share of IDA operations demonstrating a results chain by linking gender gaps identified in analysis to specific actions tracked in the results framework increased slightly to 56 percent. For projects in fragile and conflict-affected states, the percentage stood at 66 percent, surpassing the IDA18 Results Measurement System target of 55 percent.

In addition, 100 percent of operations financed in primary and secondary education (totaling close to US$2.3 billion) address gender-based disparities. Skills development operations have even surpassed their target, with 92 percent (instead of 75 percent) considering how to support women's participation, improve the productivity of their economic activity, and reduce occupational segregation. Likewise, more ICT operations than targeted – 3 out of 4 (instead of half) – support better access to the Internet and IT services for women.

Similarly, within the IDB, all projects are assessed at approval for their alignment to the corporate strategy of poverty reduction and equity enhancement, which is in line with a main sectoral principle to ensure that all students enter the system ready to learn – particularly aiming to support the hardest to reach populations to narrow opportunity gaps and educational outcomes. As such, the share of loans and technical cooperation approvals that had gender elements doubled between 2011 and 2016 and an increasing number of Country Strategies have included a gender perspective.[40] The IDB also produces a significant number of gender-related technical notes and guides to facilitate the mainstreaming of gender in its operations as well as studies, policy dialogues, and strategic partnerships that include gender issues.

IV. WHAT ARE THE MDB SUPPLY AND DEMAND CHALLENGES?

IFFEd will build on the comparative advantage of the MDBs by addressing the two major constraints faced by the MDBs in expanding education financing: (i) the *supply-side* constraint of limited capital for some MDBs, and (ii) the *demand-side* constraint of declining LMIC borrowing for social sectors at prevailing MDB rates.

1. What are the trends in MDB lending?

In comparing concessional and non-concessional lending across the different multilateral banks, we can see that a smaller share of non-concessional lending goes to education in both the World Bank and regional development banks as compared to concessional funds (Figure 16). For the regional development banks, a smaller share of financing goes to education across both concessional and non-concessional portfolios as compared to the World Bank.

[40] Inter-American Development Bank Office of Evaluation and Oversight. (September 2018). Sector and Thematic Evaluation of the Bank's Support for Gender and Diversity.

This reveals scope for expansion in regional development bank financing in particular. The World Bank accounts for around two thirds of 2016 MDB disbursements to education, with the RDBs combined accounting for only around one third.

Looking at MDB lending across sectors, we can also see that lending to social sectors (health and education) has not kept pace with increases in lending to infrastructure. (Figure 17). While RDB lending to infrastructure has been steadily rising from $10 billion in 2009 to reach around $17 billion in 2016, lending to health and education has largely stagnated. A similar story is seen with World Bank lending, though the gap is slightly smaller.

Figure 16: Concessional and non-concessional disbursements from multilateral development banks to education as share of total sector allocable lending (constant 2016 US$)

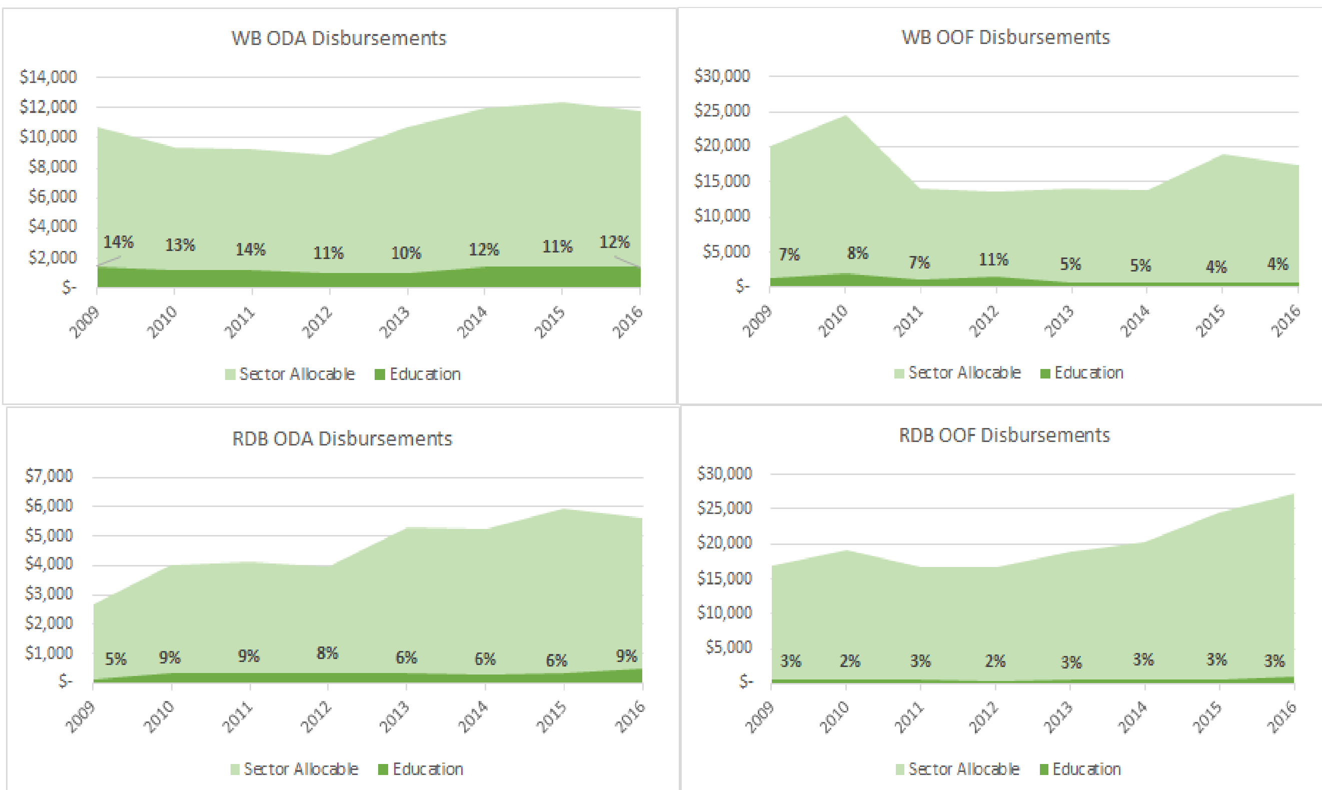
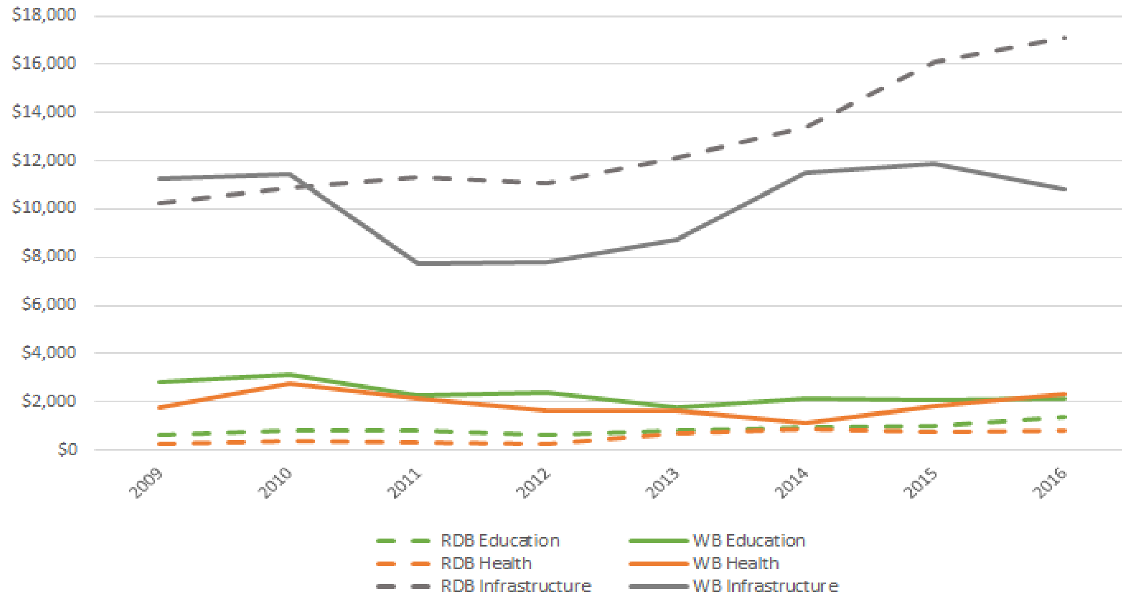


Figure 17. Total MDB lending (ODA & OOF) across sectors, millions (constant 2016 US$)



2. Why are capital increases insufficient to increase education lending?

The World Bank's recent capital increase will not provide the necessary finance needed to fully finance the SDGs, including education. While it has lessened capital constraint in the case of the World Bank, it will only allow the World Bank to increase its lending moderately over the long term. Additional resources would still be critical to meet the large needs of developing countries. In practical terms, the World Bank capital increase avoids a decline in IBRD lending capacity over the next 5 years and helps maintain current levels of lending of about $25 billion per year. This is against an estimated demand for lending of $36 billion per year, and far greater demands for financing the SDGs.[41]

IFFEd will address current capital constraints in major MDBs by providing them with a form of quasi-equity when they undertake additional education loans. It is entirely consistent with MDBs' strategies to use innovative finance and tap private capital markets to turn "billions into trillions" for development. Additional callable capital (if indeed there was an agreement among shareholders to provide such capital), in comparison, would not expand the lending capacity of MDBs as paid-in capital would.

The external financing gap for all countries far exceeds available finance and MDBs have significant scope for expansion:

- **Scope for expansion in total MDB finance**. Total external financing needs for 2020 for lower-middle-income countries are estimated at $23 billion. Total annual disbursements (2014-2016 average) of the MDBs – aid and other official flows – in those countries currently comes around $1.7 billion.

[41] Sustainable Financing for Sustainable Development, submitted to the Development Committee, April 21, 2018.

- **Scope for expansion in regional development bank financing**. The World Bank Group accounted for around two thirds of 2015 MDB disbursements to the 54 countries, with the RDBs combined accounting for around one third. This indicates considerable scope for increased lending from the RDBs, in particular the African and Asian Development Banks.

- **Scope for increased lending across a wider number of countries and regions**. Four countries in South Asia accounted for just over $1 billion – or nearly one third – of total disbursements across all regions. This indicates considerable scope for increased MDB financing in other countries and regions, and notably sub-Saharan Africa where needs will be most acute, particularly as additional countries transition to LMIC status. Average annual disbursements in sub-Saharan Africa stood at about $440 million.

- **Scope for expansion in countries affected by long term crises**. Middle East and North Africa received only $146 million in MDB disbursements as an annual average over 2014-2016. The region is unusual in having the potential for multiple sources of MDB support – World Bank Group, AfDB and EBRD – yet prevailing levels of financing are extremely low relative to need.

3. What is the evidence of falling demand to education loans as price rises?

Empirical evidence that lending to social sectors falls faster than other sectors has been limited, though new studies are emerging that suggest a greater price sensitivity in education (and health) than in other sectors. For instance, a forthcoming World Bank report[42] provides evidence to support the popular idea that countries borrow less for interventions in Human Development (HD) as they graduate from IDA to IBRD status. Using a fixed-effects regression to examine the effect graduation, the authors find that although overall lending and the share of HD lending as a fraction of total lending increased between 1961-2016, IBRD countries are (a) less likely to finance any project, (b) disproportionately less likely to finance a HD project, and (c) have a lower share of HD borrowing. Relative to IDA countries, IBRD countries are on average 20-25 percent less likely to finance any project and 54-62 percent less likely to finance any HD project. Importantly, the disproportionate fall in lending for HD is not explained by a reduction in total funds. This echoes findings in the forthcoming ODI report that finds that the sectoral allocation of resources in middle-income countries – both external official development as well as public finance – favors infrastructure development.

The results suggest that IDA graduation is correlated with declining HD lending. Significantly, additional data checks reveal that countries' own spending in the HD sectors does not substitute for this reduction in HD lending. Regression results remain unchanged when controlling for countries' fiscal spending.

These findings corroborate the Commission's own analysis that finds that MDB lending to education for LMICs falls without access to concessional lending. For countries eligible for IDA-equivalent lending, disbursements to education represent a 9 percent share of total disbursements. In countries that only have access to non-concessional lending, however, this share falls to 2 percent (Table 5).

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[42] R. Gatti and Mohpal, A. (Forthcoming). Investing in human development: What can we learn from Bank's portfolio data?. World Bank. Preliminary draft: currently under review.

Looking regionally with sub-Saharan Africa as an example, we can also see that the share of financing to education in LMICs is lower as compared to LICs, and is also for more heavily concentrated among select countries (Table 6 and Figure 18).

Table 5. Country-specified disbursements from MDBs to LMICs, millions (2014-2016 average, constant 2016 $US)

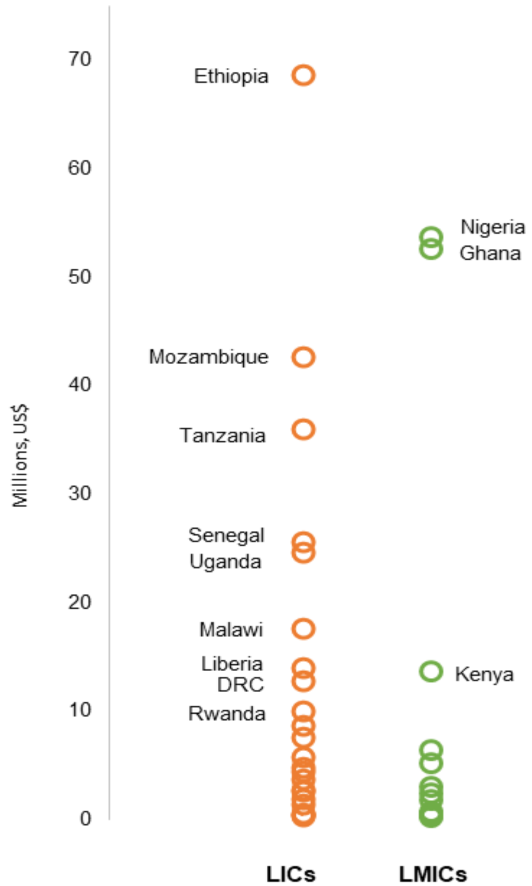
	Concessional Lending	Non-concess'l lending	Total
Total Disbursements			
Lower-middle-income	**11,346**	**18,504**	**29,850**
Access to concessional only	480	78	558
Access to concessional and non-concessional	10,684	7,511	18,195
Of which India, Pakistan and Bangladesh	*4,394*	*4,208*	*8,602*
Other countries	*6290*	*3303*	*9593*
Access to non-concessional only	*182*	*10,915*	*11,097*
Disbursements to Education (with share of total)			
Lower-middle-income	**1,345 (12%)**	**355 (2%)**	**1,700 (6%)**
Access to concessional only	50 (10%)	-	**50 (9%)**
Access to concessional and non-concessional	1,292 (12%)	83 (1%)	1,375 (8%)
Of which India, Pakistan and Bangladesh	*932 (21%)*	*41 (1%)*	***973 (11%)***
Of which other countries	*360 (6%)*	*42 (1%)*	***402 (4%)***
Access to non-concessional only	3 (2%)	271 (2%)	**274 (2%)**

Table 6: MDB financing (ODA & OOF) to education, 2014-2016 (2016 US$, millions).

	LICs	LMICs
Total MDB financing to education	410 million	1,700 million
Median financing per country	8.0	5.6
Median % GDP	0.076%	0.034%
Total MDB financing to education in SSA	299 million	142 million
Median financing per country in SSA	5.9	2.1
Median % GDP	0.072%	0.017%

Source: OECD DAC creditor reporting system.

Figure 18. MDB disbursements (ODA & OOF) to education in sub-Saharan Africa (2014-2016 average)



Source: OECD DAC creditor reporting system

4. What evidence is there that price is a key constraint?

The sections above point to a reluctance by countries to borrow for education. This is not, however, due to an overall lack of interest in investing in human capital, as recently evidenced by the demand by countries to participate in World Bank's Human Capital Project. The project is a "whole of government" commitment to human development, where the bank will work with countries to align sectoral support to goals, and discuss how to work with partners to support country plans and priorities. There is a new level of recognition of the role human capital plays in development and, with the right incentives in place, countries are developing ambitious plans to achieve their goals. LMICs, in particular, are keen to participate – of 32 countries that have so far confirmed interest, nearly half are LMICs.

IFFEd is designed in response to countries' reluctance to borrow for education by providing both more and better financing options. IFFEd will address some of the fundamental reasons why borrowing for education is currently so low. While price is not the only factor, lowering the price of lending has been proven to help.

It is generally accepted that countries are reluctant to borrow for education for at least three reasons. First, some government decisions are subject to election cycles, so some incumbents are reluctant to borrow for education today when the benefits can take several years to become evident. Second, governments are averse to taking on expensive debt for education that could have uncertain fiscal returns. Third, finance ministers do not always believe that education investments are met with tangible learning impacts.

Practical evidence confirms that softening the terms of financing can help incentivize countries to invest in health and education. A survey by the Education Commission of World Bank Country Directors and Ministry of Finance staff in client countries indicated that changes to repayment and pricing terms would help increase the demand for loans.[43] Further consultations with a sample of LMIC delegations on the margins of the 2018 WB IMF Spring Meetings confirmed a strong interest in the IFFEd approach – viewing it as an instrument that would help them reach their education goals while managing their debt.

This finding is supported by a recent IMF study comparing investment in economic infrastructure with social infrastructure.[44] The study shows that without incentives lowering the costs of borrowing, countries are likely to underinvest in education because growth benefits accrue with a delay and countries are averse to take on expensive debt in the absence of expedient returns. Tied concessional finance and grants are proposed by the authors as potential solutions to mitigate the adverse effects of "political myopia" and debt risks. Specifically, "addressing the short-term concerns [of greater upfront fiscal costs and delay in returns] related to investments in education may require the help of multilateral agencies [in] offering concessional financing and grants to give policymakers the incentive to emphasize investment in schools."

However, price incentives alone are not sufficient. We also need to address governments' reluctance by improving the perceived effectiveness of investments. Investments supported by IFFEd will need to be results-based as part of the key eligibility criteria. There are different ways this can be done. It requires careful consideration and design to avoid perverse incentives. That is why it is proposed to link the entire financing package of both the grants and the loans to education outcomes as part of a compact between MDBs and recipient countries — and why IFFEd is creating a platform for MDBs to collaborate and share expertise on the most effective design of such instruments.

This focus on outcomes and results is also supported by a monitoring and evaluation process that prioritizes learning, equity and access in alignment with the goals of the SDGs and education sector plans. These goals are guided by baselines and targets set out in an IFFEd Results Framework and monitored through annual reporting by MDBs.

[43] Schäferhoff, M. and N. Burnett. (2016). Rethinking the Financing and Architecture of Global Education. SEEK Development and Results for Development.

[44] Atolia, M., B.G. Li, R. Marti and G. Melina. (2017). Investing in public infrastructure: Roads or schools? IMF Working Paper WP/17/105.

5. What is the previous experience of buy-downs in incentivizing lending, including in the health sector?

Latent demand for concessional lending to education is difficult to prove ahead of the fact. But evidence from other sectors can provide insight. For instance, the Global Finance Facility (GFF), the Global Fund and GAVI all offer special terms in financing for health. Such facilities do not yet exist at a similar scale for education.[45]

For instance, flexible GFF trust fund grant financing is used to "buy-down" IBRD loans to more concessional levels to help incentivize continued investment in health as countries transition from IDA to IBRD – particularly in neglected communities. In Guatemala, where the GFF Trust Fund is supporting a buy-down of an IBRD loan, the government has agreed in exchange to take the savings from the reduced interest payments (an estimated US$9 million), match these with US$9 million in government resources, and invest the total amount in improving the nutritional status and health of the indigenous population.[46]

In Vietnam, the government is reluctant to use loans in a constrained macroeconomic environment and with a high debt-to-GDP ratio, especially loans made at less-concessional IBRD terms and even more so when the loans are for non-revenue-generating activities for investment in the health sector. In response, the GFF has mobilized resources for health in Vietnam through the buy-down of a World Bank loan to more favorable terms for the Investing and Innovating for Grassroots Service Delivery Reform Project. Project resources are US$80 million from IBRD, US$5 million in counterpart financing, US$17 million from the GFF grant, US$5 million grant from Ireland through a Multi-Donor Trust Fund, and a US$3 million grant from the Pharmaceutical Governance Trust Fund.[47]

The first buy-down loan in Africa was also to the health field, under the Botswana National HIV/AIDS Prevention Support (BNAPS) project, which focused on transitioning from an "emergency" response to a more sustainable financing approach.[48] As Botswana does not quality for concessional loans, US$20 million in donor funds from the European Commission were used to soften the terms of the US$50 million IBRD loan. Performance-based financing was also introduced linking disbursements with the performance of line ministries, civil society and private sector organizations.

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[45] R4D (2013). Final Report on Buying Down Loans for Education to the Global Partnership for Education. November 27, 2013.

[46] GFF and WB. Maximizing impact: how the GFF trust fund complements and adds value to IDA. A Fact sheet. https://www.globalfinancingfacility.org/sites/gff_new/files/documents/GFF-IDA_EN_Web.pdf

[47] The Global Financing Facility. (2018). Country-powered investments for every woman, every child and every adolescent. 2017-2018 Annual Report.

[48] World Bank Independent Evaluation Group. BW-HIVE/AIDS Project SIL (FY09). Implementation Completion Report Review. Report number: ICRR0020276

Annex 1: Commission Recommendations

PERFORMANCE Put results front and center	**Recommendation 1:** Set standards, track progress, and make information public
	Recommendation 2: Invest in what has been proven to deliver the best results
	Recommendation 3: Cut inefficiencies to drive better results across the system including addressing corruption, absenteeism, and inefficient use of critical inputs such as textbooks
INNOVATION: Develop new approaches to achieving results	**Recommendation 4:** Professionalize and diversify the education workforce
	Recommendation 5: Harness technology as central to teaching and learning
	Recommendation 6: Improve partnerships with non-state actors
INCLUSION: Reach everyone	**Recommendation 7:** Prioritize the poor and early years - Progressive Universalism
	Recommendation 8: Invest beyond education to tackle the factors preventing learning
FINANCE: More and better investment & accountability	**Recommendation 9:** Mobilize more and better domestic financing for education
	Recommendation 10: Increase the international financing of education and improve its effectiveness
	Recommendation 11: Establish a Multilateral Development Bank (MDB) investment mechanism for education. This is now called the International Financing Facility for Education (IFFEd)
	Recommendation 12: Ensure leadership and accountability for the Learning Generation

Annex 2: Principles for the Design of IFFEd

Introductory Note

The Education Commission sought feedback from civil society and other important stakeholders through extensive consultation on the baseline principles for IFFEd. During 2017 and 2018, the Education Commission disseminated concept notes and technical proposals for expert consultations. Additionally, through technical working groups, webinars, presentations at events and meetings, and bilateral meetings with stakeholders, the Commission took on board feedback from a variety of stakeholders including: civil society, NGOs, multilateral development banks, UN agencies, global education funds (e.g. Global Partnership for Education (GPE) and Education Cannot Wait (ECW)), potential beneficiary countries, contributor countries and financial institutions. These principles are the product of those consultations and the feedback received.

Principles

1. IFFEd financing is to 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 is to support countries that commit to transformational reform and domestic investment in their education systems to achieve increased access, learning, and equity.

For a loan in an eligible country to be considered a Qualifying Education Loan that will unleash IFFEd's resources, evidence will be required of: (a) a national education sector plan or an equivalent credible strategic framing document, (b) ability to sustainably utilize additional lending through the MDBs, (c) country agreement to increase or maintain its domestic education budget in alignment with international standards, (d) agreement to increasingly integrate results-based approaches to achieve nationally owned targets and (e) specific strategy for how marginalized groups will be reached in line with Leave No One Behind principles. The required evidence of commitments and data on a baseline case (where the country is before IFFEd funding) are to be included in the documentation for a Qualifying Education Loan. By providing an incentive for countries to use MDB financing for education, IFFEd seeks to catalyze more domestic financing to the education sector.

At the country level, consistent with the Paris Declaration on Aid Effectiveness, the country's education sector plan or an equivalent credible strategic framing document will serve as the organizing framework for all activities. IFFEd supported financing will respect and promote 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. The important role civil society plays in the current education planning and financing should not be replicated or replaced. This continued engagement of civil society actors at country level is an important aspect for the achievement of the Sustainable Development Goals (SDGs) and should be encouraged. IFFEd also welcomes gender-responsive education sector plans, agreed within the processes existing for sector dialogue, including with civil society, through the UNGEI/GPE Guidance for Gender-Responsive Education Sector Plans.

2. IFFEd embraces 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 are programmed to respond to country needs and strategies. Financing is made available for any education-related initiative or reform effort that is consistent with a country's strategy and plans to enhance access, learning, and equity (including early childhood, primary, secondary, post-secondary, 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.).

IFFEd use of resources prioritizes equity, reduces inequality in education and acknowledges the costs associated with reaching the most marginalized. IFFEd funding is available to provide inclusive education, consistent with the Convention on the Rights of Persons with Disabilities. Cross-sector collaboration is encouraged when there is a direct benefit for improving education and special emphasis is placed on gender equity and issues contributing to gender inequity in education. IFFEd funding encourages education systems to respond to the demands of education in the 21st century with a particular focus on equity and the notion of progressive universalism. IFFEd monitors that funding is used to close – not widen – equity gaps and to leave no one behind.

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

3. IFFEd is a complementary tool for education finance and works alongside the existing actors in the global education financing architecture. Given that the primary focus of IFFEd is to create additional financial capacity within the MDBs for gap-filling funding in countries where *additional* concessional finance could help achieve SDG 4, there is to be minimal overlap with existing mechanisms. IFFEd does not duplicate work or structures, minimizes any transaction costs and has in place safeguards to ensure

accountability of its resources. The primary beneficiaries of additional IFFEd finance are LMICs with external financing gaps in excess of current aid.

Coordination occurs at the country level. IFFEd works 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 Global Partnership for Education, UNICEF, Education Cannot Wait, or IDA or other MDBs concessional and non-concessional finance, the MDB partners will coordinate in country before presenting a financing package to IFFEd. IFFEd tracks and reports annually on the additionality of its funding and the funding levels of the MDBs. IFFEd operates in alignment with the 2005 Paris Declaration on Aid Effectiveness and 2008 Accra Agenda for Action.

4. IFFEd raises *additional* finance to help close the education financing gap and drive the achievement of the education Sustainable Development Goal. IFFEd adds value and complementarity by mobilizing substantial *new* financing for education at affordable terms. With its innovative approach to funding, IFFEd focuses on the mobilization of financing 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 seeks to incentivize greater domestic investment in education. It complements the existing international financial architecture by mobilizing financing that is *additional* to what is currently available.

5. IFFEd reinforces the relationship between international finance and domestic resource mobilization. IFFEd financing is made available through the MDBs to governments committed to increasing domestic financing for education now and into the future, [and committed to improving the effectiveness of education spending.] It is 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 measures 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 makes 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 is 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 is aligned with these other frameworks.

7. IFFEd is a financial mechanism and not an implementation or delivery organization. IFFEd's priority is to generate additional financing capacity through the MDBs for investment in education. To strengthen existing mechanisms and avoid fragmentation, IFFEd financing in countries is channeled through the MDBs as they already have country presence, participate in the process of preparing and monitoring education sector plans, and engage in donor coordination mechanisms. IFFEd is not an additional actor within a country.

As such, IFFEd is a light-touch financial instrument and contributes 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 Inter-American Development Bank, and the International Bank for Reconstruction and Development. [The IFFEd Board] may consider if and how to engage with 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 finance to rebuild following a natural disaster. Additional innovations should be considered for these countries, including more concessional terms for repayment or allowing donors or philanthropists to pay off the principal as to avoid placing any additional burdens on refugee-hosting countries. Particular attention is paid to debt sustainability and the legitimacy of the loan in humanitarian contexts and fragile states.

9. IFFEd provides funds for government-led education initiatives. IFFEd supports governments in achieving their national education goals and the SDG targets, including free, equitable and quality primary and secondary education. Governments 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) are 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 prioritizes 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 is to be solely self-financed. 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 engages in responsible financing by acknowledging that 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 is made available to MDBs which adhere to norms of maintaining sustainable debt levels consistent with 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 is only made available to countries that meet MDB standards through debt sustainability assessments based on comprehensive, objective and reliable data. MDBs are to certify that IFFEd investment would not raise debt sustainability issues prior to any approval by IFFEd of financing. The Debt Sustainability Framework (DSF) is in place for low- and some lower-middle-income countries, and the IMF also routinely assesses debt sustainability in other lower-middle income countries through its DSF for Market Access Countries (DSF MAC). Both DSFs were recently updated to strengthen assessment of private debt and contingent liabilities. Lending packages are to include a discussion of the MDB's assessment of the country's debt sustainability and will be consistent with any limitations that DSFs or IMF programs have placed on new debt. All lending packages are to include a discussion of the MDB's assessment of the country's debt sustainability. The level of debt sustainability is taken into account when assessing the level of concessionality.

Annex 3: Model assumptions on education outcomes and unit costs

Projected Outcomes	**Assumptions in the Vision scenario**
Priority outcomes: - Preschool enrollment - Primary and secondary completion - Post-secondary access - Learning outcomes, learning equality	Top 25% growth path: based on a selection of the top 25 percent of countries that had the fastest recent growth in enrollment and completion (2010-15) *contingent on the base level.* The top 25% group was selected separately for each outcome. The groups include countries from all continents and income groups. Post-secondary access is based on Top 50% due to commonality of rapid growth.
Youth literacy training	100% of youth 20-24 literate by 2030 (through schooling or literacy training)
Unit cost determinants	**Assumptions in the Vision scenario**
Pupil-Teacher Ratio (PTR)	Based on the observation that PTR tends to decline as per capita incomes rise, and is lower in secondary and preschool than in primary, the model defines an international convergence pathway based on average relationship of income and PTR and assumes countries converge on this pathway by 2030; contingent on not exceeding set minima (20 in preschool; 40 in primary; 35 in secondary), and fiscal space for smaller classrooms.
Teacher salaries	The model defines three international convergence pathways for salaries (preschool/primary; lower secondary; upper secondary) based on average relationship of per capita income and teacher salaries in the 50 percent of countries paying most *relative to the average income levels* and with a minimum of $3650 per year. The Vision scenario assumes countries converge on these paths by 2030.[49]
Non-salary recurrent costs	Equal 35% of teacher salary costs by 2030 (approximately equal to relative proportion in OECD countries).
Classroom construction	Constant multiple of GDP as per 2012 level, varies by education level; includes additional costs for furniture, utilities, and maintenance.

[49] The teacher salary assumptions in the Commission's analysis are aligned with the ILO/UNESCO Recommendation concerning the Status of Teachers (1966). The Commission conducted analysis to find level of salaries that were motivational for teachers, attracting and retaining good teachers, but also reasonable, achievable and cost-effective.

Subsidies for marginalized students (poor), % of recurrent costs	Estimated marginalized pupils equal to poverty rate in country. Per student subsidies are added for this portion as a percent of recurrent costs: 20% for primary; 30% for lower secondary; and 40% for upper secondary
Unit costs literacy training	Same as primary unit cost per year
Post-secondary delivery streams	Post-secondary will expand in different streams, according to experts consulted. Tertiary in traditional universities will grow, but cease to be the majority post-secondary stream. By 2030, half of the youth continuing to post-secondary will use online education, skill certificates, and non-tertiary post-secondary (PSNT) institutions.
Unit costs post-secondary: % of GDP per capita, per student, per year	Tertiary and PSNT costs converge to international, income-based convergence path; online and skills certificates equal 25% of GDP per capita.

Annex 4: Institutional Profiles

African Development Bank

How is education positioned in the corporate strategy?	• The Bank has a corporate 10 year strategy (TYS 2013-2022) which has “skills and technology” among its five core operational priorities. Since September 2015, the implementation of the TYS is being carried by the High Five priority objectives - namely, Light up and Power Africa; Feed Africa; Industrialize Africa; Integrate Africa; and Improve the Quality of Life for Africans. • The Bank’s work on Education and Training is determined by the the *Human Capital Strategy* (HCS 2014-2018) whose main focus is on “Skills and Technology for competitiveness and jobs”. It promotes a horizontal and vertical approach to skills development. It is vertical in the sense that it recognises the respective value of all forms of education from ECD to the Tertiary. Emphasis though is laid on vocational/technical training and higher education/scientific research as our comparative advantage niche; not only in view of the variety of partners that currently support basic education, but also importantly to allow for the horizontal interfacing with the manpower needs of the sectors that drive the transformation of Africa • A specific illustration of this interface is the the *Jobs for Youth in Africa Initiative* (JfYA 2016-2025). It was established to address the continent’s youth employment challenge. Its aims are to ‘expand employment opportunities, strengthen human capital and build durable labor market linkages through the creation of 25 million jobs for youth and improving the employability of 50 million youth by: (i) mainstreaming job creation objectives into the Bank’s operations; (ii) implementing skills training and entrepreneurship development in agriculture, industry and ICT; and (iii) establishing mechanisms that expand access to finance for young entrepreneurs. • Work is underway to update/extend the Human Capital Strategy. The concept of an integrated Human Capital Development approach (Education, Health, Nutrition, Jobs, Social protection) will be laid out in the form of a three-year action plan (2019-2021). Regarding Education, attention will be paid to emerging innovative financing mechanisms, including IFFEd, which provides a sizeable opportunity for the Bank to increase lending for education to middle-income countries in Africa. From 2020, as part of the mid-term review of the Job for Youth Strategy, the Bank will undertake a full-fledge strategic thinking on AfDB future support to Education. Linkages with IFFEd will be re-emphasized noting that IFFEd would be operational at that time.

How many staff work on education? How many are in HQ versus the field? Please provide example of one or two countries with big teams? Eg. Nigeria, Indonesia, Bangladesh?	• Education is part of the social sector, which is one of the most decentralized at the Bank. There are four education positions at the HQ. All the other education experts operate either within regional departments (there are five regional departments covering the North, South, East, Central and West Africa respectively) or in some country offices. Moreover, the Bank relies on a group of social sector specialists (with expertise on education, job creation, health, social protection) to task manage education projects. However, the nucleus of education specialists at HQ are able to offer policy and technical advice, as well as backstopping support as co-pilots during the preparation and supervision of projects. In terms of HQ-Field balance, there are a total of 12 social sector staff at the decentralized level whose responsibility is to directly oversee education projects on a day-to-day basis. • Current education staff capacities at the AfDB are not enough. According to the Education Commission, by 2030, Africa will account for more than 90% of global external financing needs for education. Africa's LMICs will account for 80% of total African external financing needs. Conservative simulations on IFFEd resources allocation to suggest that the AfDB could potentially benefit from up to 375 million US$ annually as additional resources for lending to MIC; which imply that AfDB would more than double its annual lending for education. This will require additional staff capacity to (i) foster dialogue with countries on project identification and formulation, (ii) ensure sound portfolio management, and (iii) timely reporting to the education commission. The Bank would be keen to develop a plan for Human Resources expansion should IFFEd be operational. The Bank stands ready to engage with IFFED Donors on the funding of additional staff capacities (technical assistance, seconded staff, capacity building, and consultants).
What additional capabilities does MDB have for education and training support are in other sectors such as governance, finance, social protection. and technical fields such as agriculture and health. Please give an example of potential joint projects or how you work together?	• As tangible examples, there are strong linkages being promoted with sectors such as infrastructure (transport, energy), agriculture, agro-industry, oil, gas, extractives, governance, finance, health and social protection. Selected examples of joint projects include the following: (i) a skills for infrastructure project recently approved in Togo (roads, mines, US$12 million); (ii) a skills for rural jobs recently approved in Burkina Faso (agriculture; US$14 million); (iii) a regional skills development and capacity building for electricity (energy; US$11.5 million); (iv) an agro-industrial development project with a strong skills development component appraised in Ethiopia in August 2018 (agro-industry; US$77 million); (v) Education for Sustainable Development in Africa (ESDA) Mining and Mineral Recourses in South Africa Region (South Africa and Zambia), (vi) many skills and entrepreneurship development projects (such as in Rwanda which includes skills development, access to finance, and enterprise development), (vii) School feeding program and (viii) Skills Development for Universal Health Coverage (UHC).
How large is the current education portfolio? What is the distribution across sectors?	• The current Banks Education portfolio is composed of 51 active operations for a total approved amount of US$1,418 million. • The distribution across sector is presented as follow: TVET (53.88%); Higher education (27.81%); and other forms of education (18.31%).

What is the average annual lending during the last 3 years? (give total outstanding active portfolio in current prices)? What is the distribution across sectors?	• Over the past 3 years (2015, 2016 and 2017), the Bank approved 15 new operations, for a total commitment of US$522 million (or US$174 million per year). This total includes financing through the concessional ADF window (US$120 million for 6 projects or US$19.9 million per project), and through the non-concessional ADB window (US$399 million for 4 projects or US$99.7 million per project). The remaining 5 projects were small operations (middle income countries grants, private sector technical assistance grants, trust funds, etc.) amounting US$3.7 million. • The sector distribution is presented as follow: TVET (57.7%); Higher education (35.5%); and other forms of education (6.8%)
How much could MDB potentially expand activities under gradual and rapid IFFEd expansion scenario? Please add data from table on scenarios.	• The average annual lending for education was US$174 million over the past three years, out of which US$133 million was for middle-income countries. TO BE COMPLETED. WORK IN PROGRESS
What scope does MDB have to increase HR capacity? How would this be done?	• HR capacity needs are regularly determined by the needs of the portfolio. In relative terms, the number of Education projects have not been that many. To the extent that the decentralization process is still underway, it can be expected that an optimal number of social sector staff will be available in either our country offices or in our Regional Hub.
How many countries are eligible to borrow from the MDB?	• 21 countries are eligible to borrow from the African Development Bank. However, 5 other countries may have exceptional access to the African Development Bank based on specific conditions.
How many countries have active education loans? What is the regional distribution?	• 28 Countries have active education loans/grants for a total amount of US$1,347 million against 5 Multinational grants for US$71 million. The regional distribution is as follows; 3 operations for a total amount of 108 million for RDGC (Central Region), 14 operations for a total amount of US$377 million for RDGE (East Region), 7 operations for a total amount of US$431 million for RDGN (North Region), 12 operations for a total amount of US$256 million for RDGS (South Region), 13 operations for a total amount of US$224 million for RDGW (West Region) and 2 operations for a total amount of US$21 million for Nigeria Country Office (RDNG).
How does MDB assess debt risk of countries applying for additional education loans?	• There is no special treatment for education loans in terms of debt risk. As all other sovereign loans regardless of the sector, the Bank does not apply country specific risk in the pricing. However, in terms of capital allocation the country rating and risk profile directly affects the risk weigh asset.
How does MDB ensure equity is prioritized in financing packages and programs?	• The Bank's corporate priority are to achieve both inclusive growth, and transition to green growth. As such, almost all projects ensure that inclusiveness aspects (gender, geographical, income) are addressed.
What is the MDB's experience with results-based financing or results-based approaches? (In education or other social sectors)	• The Bank has a long experience with policy-based operations (PBO) in the education sector. Many PBOs related to education were financed in countries such as Côte d'Ivoire, Morocco, Rwanda and Tunisia. The Bank has recently approved a result-based financing instrument (December 4, 2017). Among the first

	results-based financing projects was a US$95 million employment project in Morocco (with a strong human capital/education component) appraised and planned for approval this year.
What are the major areas of research and development in education group at the MDB? Give an example of this.	• Higher Education and Science and Technology Innovation (STI) • School to work transition from TVET graduates including tracer studies • Education in Finance in Africa
What capacity is there to conduct and provide advisory and analytical work? Number of analytical advisory and analytical studies. How are the studies being used?	• African Education Fund Feasibility Study • STI in Africa Regional Study • For instance, at the AfDB, under the Education for Sustainable Development in Africa (ESDA), we conducted the ESDA operation as well as ESDA New Generations for Researchers (NGRs). Both of them complemented each other since the production of NGR book has been utilized ESDA Masters courses to study Sustainable Development. • Master Card Secondary Education Advisory Board- Where we are advising on thematic papers including Future of Works, Education financing, and Education Policy
What new areas of work or innovations is the MDB currently exploring? (This could be in financial instruments or areas of work)	• Innovative Financing Mechanism in Education (Sustainable Finance Mechanism in Education in Africa) • Including digital skills and entrepreneurship/innovation trainings at the core higher education/TVET in partnership with the private sector -through our Coding for Employment flagship program.
What are other factors to consider in scaling up with IFFEd resources? What other factors would help you assess additional demand and commitment from countries?	• The overall structure of IFFEd whereby the IFFED's coverage is applicable to the whole balance sheet is important to scale up IFFED's resources. Inclusion of low-income countries even on an exceptional basis may also help that objective. • The Bank will work with eligible countries to identify financing packages to support education consistent with IFFEd policy goals and requirements. Doing so, the Bank will systematically provide an explanation as to how the beneficiary country meets the IFFEd eligibility criteria: (a) existence of a national education sector plan, (b) ability to take on additional lending (focused on debt sustainability), (c) country agreement to increase or maintain its domestic education budget as necessary to meet a target goal to be agreed by IFFEd, and (d) increasingly integrating results-based approaches into the lending packages.
How are programs evaluated? What is the process (include project as well as more general evaluations from independent ev groups)? What kind of ratings have education projects received?	• Portfolio performance is measured through a number of indicators: the quality at entry of each operation, the signature delay, effectiveness delay, first disbursement delay, ageing project, slow disbursement project (e.g. project closing in the current year but with 60% disbursement or less), project not supervised since 6 months, audit delays, problematic project (PP), potentially problematic project (PPP), closure delay, projects qualified for cancelation, etc. • An external evaluation of the Bank's lending and non-lending activities on education during the period 1975-2006 was undertaken by the Bank's independent evaluation department.

	• In most cases, the Bank delivered the planned education outputs successfully. But implementation had been slow and inefficient and projects initially generally overran their schedules, and then improved substantially over time. Several obstacles prevented the projects from delivering good results in a timely way. In many cases, the quality of project design was not good enough to overcome the implementation challenges. This stemmed from the Bank‘s limited human and financial resources to carry out studies and coordinate with other donors to design projects which could be more effective. • Projects financed in ADB countries have received higher average outcome ratings than those in the ADF – 88 per cent satisfactory for ADB projects compared with 50 per cent for ADF countries. This difference in performance reflects better capacity to implement development projects in ADB countries than in ADF countries.

Asian Development Bank

How is education positioned in the corporate strategy?	• ADB's Strategy 2020 placed education as one of the five core sectors of investment. • ADB's Education Operational Plan 2020 was approved in 2010 and is still used to guide the sector. It indicates: "Good quality, inclusive education is essential to building human capital and a well-skilled labor force to underpin a modern, competitive economy". • Following the midterm review of ADB's Strategy 2020, a corporate target of 6%-10% of total lending for education was established in 2014. • Strategy 2030, approved in July 2018, emphasizes integrated solutions and includes 7 operational priorities (OPs). Education is under Operational Priority 1: Addressing Remaining Poverty and Reducing Inequalities. Each OP is preparing an operation plan. An Education Framework will also be developed to highlight issues, challenges, opportunities and strategies to support education considering the rapid changes (technology, demographics, urbanization) happening and the urgency to improve learning for all.
How many staff work on education? How many are in HQ versus the field? Please provide example of one or two countries with big teams? E.g. Nigeria, Indonesia, Bangladesh?	• ADB has 63 education staff working in education. There are 42 staff at Headquarters, and 16 staff in resident missions. • In Bangladesh Resident Mission (RM), ADB has one international staff and one national staff fully dedicated to implementation and in supporting new projects in education. Other staff are also involved either full time or part time in implementing education projects. Similar arrangements are there in the Philippines. India too has a strong team of international and national staff working in the education sector. There are designated country leads in the HQ who work in collaboration with staff in resident missions. In some cases, country leads for the education sector are also placed in RMs
What additional capabilities does MDB have for education and training support are in other sectors such as governance, finance, social protection, and technical fields such as agriculture and health. Please give an example of potential joint projects or how you work together?	• In addition to the core staff in education in ADB (HQ and RMs), ADB also engages many national and international consultants to undertake upstream and downstream work under the direct supervision of ADB project officers. For example, new project preparation is typically attached with technical assistance to prepare projects. Projects also typically have TAs to support implementation which engage experts to analyze and inform implementation status. • There is close collaboration with the ADB's Economic Research and Regional Cooperation Department for some research work such as impact evaluation or looking at specific topics on emerging priorities (e.g. quality of education, how technology affects jobs). • The education teams are strongly supported in project development and implementation with team members from other divisions and departments such as procurement, governance, gender,

	social development, financial management and safeguard., The project teams thus draw on Bank-expertise from within and across departments. • The Education Sector Group Chief and team is located in ADB's Sustainable Development and Climate Change Department, which has teams from 13 sectors and themes (gender, environment and climate change, education, health, social development, energy, water, urban, transport, finance, infrastructure, governance, food security and rural development) that work together in different areas (e.g. training for infrastructure, training for health). More cross-sectoral work is expected under ADB's Strategy 2030. • Knowledge Partnerships are also being pursued actively to partner with relevant institutions (e.g. GIZ, National Institute of Education-Singapore, Peking University, etc.) to develop new areas (e.g. training for infrastructure, university-industry linkages) and/or support ongoing reforms (teacher and principal professional development, curriculum and assessment).
How large is the current education portfolio? What is the distribution across sectors?	• The total education portfolio is around $ 4.9 billion. • There are 54 active projects in: (i) school education (43%); (ii) TVET (31%); (iii) higher education (5%); and (iv) multisector (21%).[50]
What is the average annual lending during the last 3 years? (give total outstanding active portfolio in current prices)? What is the distribution across sectors?	• Around $1 billion average lending during 2016 up to November 2018. The average is higher due to higher than usual lending in 2018 of over $1.3 billion. • During 2015-2017: TVET: 57.5%, school education (33.2%), higher education (2.5%), multisector (6.8%). For the 2018-2020 period it is expected to be: TVET (36.3%), school education (37.6%), higher education (21.5%), multisector (10.6%).
How much could MDB potentially expand activities under gradual and rapid IFFEd expansion scenario? Please add data from table on scenarios.	• The 2019-2021 pipeline for education sector is $2.9 billion. New projects are still being firmed up particularly for 2020 and 2021. • Rapid expansion scenario: With IFFEd's support, it will be possible to expand lending by additional $400 - $500 million in the first two years (2020-2021) and by additional $1.2 to $1.5 billion in the following three years (2022-2024) for a total of around $1.6 to $2.0 billion in five years. • Gradual expansion: It will be possible to expand lending by additional $200 - $250 million in the first two years (2020-2021) and by additional $600 to $750 million in the following three years (2022-2024) for a total of around $800 to $1.0 billion in five years.

[50] ADB. Education Dashboard (19 November 2018).

What scope does MDB have to increase HR capacity? How would this be done?	• If the portfolio continues to expand there will be support for increasing staffing.
How many countries are eligible to borrow from the MDB?	• 18 Concessional assistance only • 10 OCR blend • 10 OCR only
How many countries have active education loans? What is the regional distribution?	• 23 countries • South Asia has the largest lending followed by South East Asia, East Asia, Central and West Asia, and Pacific Region. Central and West Asia is expected to grow in the next 3-5 years although other regions will also grow.
How does MDB assess debt risk of countries applying for additional education loans?	• ADB team works closely with the IMF team on debt sustainability assessment. Based on the latest analysis available, it is possible to ascertain the status.
How does MDB ensure equity is prioritized in financing packages and programs?	• Each project goes through Initial Poverty and Social Analysis right from the concept paper stage. Key measures and indicators for gender and social inclusion are incorporated in each final project document. A mandatory linked document is included on Summary Poverty Reduction and Social Strategy.
What is the MDB's experience with results-based financing or results-based approaches? (In education or other social sectors)	• The ADB has $1.5 billion of education projects with results-based lending (RBL) and $600 million pipelined until 2020. Three of the new RBLs are going to be a follow-up to the first generation RBLs. • The education sector pioneered the RBL modality. Following the approval of the RBL policy in 2013, the first RBL in ADB was approved for Sri Lanka in 2013 (Education Sector Development Program). There are eight ongoing RBLs in the education sector. There are also several RBLs in other sectors. An assessment was undertaken by the Independent Evaluation Department in 2017 which provides the basis for increasing the use of RBL.
What are the major areas of research and development in education group at the MDB?	• School Education ○ Teachers and principal professional development

Give an example of this.	○ Comparative textbook policies and practices ○ National student assessment systems and examination reforms for improving student learning ○ Review of the role of global non-profit organizations such as Teach for All in improving the quality of teacher training and classroom practices ○ TVET/Skills Development ○ Assessment of readiness of education and training systems to industry 4.0 in ASEAN. This includes an analysis of demand and supply of higher-level skills in selected high growth industries in selected countries ○ Training for infrastructure ○ Review of investment in quality infrastructure, particularly addressing job creation: discussion paper for G20 ○ Employer engagement in skills development • Tertiary Education ○ Industry-university linkages and boosting innovation capacity and relevance of higher education institution ○ Some examples are (links to be provided) ▪ A Smarter Future: Skills, Education, and Growth in Asian Development Bank, 2015 ((https://www.adb.org/sites/default/files/publication/175162/ki2015-special-chapter.pdf) ▪ Textbook Policies in Asia, 2018 ▪ How Technology Affects Jobs, 2018 (https://www.adb.org/publications/asian-development-outlook-2018-how-technology-affects-jobs) ▪ Human Capital Development in South Asia: Achievements, Prospects, and Policy Challenges, 2017 (https://www.adb.org/publications/human-capital-development-achievements-prospects-policy-challenges) ▪ Springer book on Education and Skills for Inclusive Growth, Green Jobs and the Greening of Economies in Asia
What capacity is there to conduct and provide advisory and analytical work? Number of analytical advisory and analytical studies. How are the studies being used?	• Each Task Team Leader (Project Officer) is involved in important issues pertaining to project preparation and/or project implementation • Each project preparation looks at sector analysis and reviews priority areas of reforms and related analytical work

	• Studies prepared as part of project preparation feed into the design. Studies prepared for wider implications may be in different priority areas.
What new areas of work or innovations is the MDB currently exploring? (This could be in financial instruments or areas of work)	• University-Industry Linkages • STEM education to address 21st century skills • Potential of ICT in scaling up quality • Use of technology in labor market analysis and supporting soft skills • Supporting municipalities and economic zones to ramp up support for education and skills development
What are other factors to consider in scaling up with IFFEd resources? What other factors would help you assess additional demand and commitment from countries?	• Some critical factors include o Reforms relating to learning assessment, equity, management and financing o Use of technology to scale up quality o Private sector involvement in STEM education, TVET and higher education o Targeted capacity building through partnerships and twinning arrangements
How are programs evaluated? What is the process (include project as well as more general evaluations from independent - groups)? What kind of ratings have education projects received?	• There are different types of evaluations o Each project goes through one or two reviews per year to ascertain progress against a set of indicators o A midterm review is undertaken for each project to ascertain progress against the indicators in the design and monitoring framework (DMF is included in each project) o Each project prepares a project completion report (PCR) (by ADB and by government) o Each PCR is validated by IED and projects are regularly evaluated by IED 2-3 years after closing o RBL projects have special arrangements to assess achievements of agreed results o In some cases, impact evaluation is also undertaken for projects

Inter-American Development Bank

How is education positioned in the corporate strategy?	• **The main goal of the IDB in Education is to promote the necessary learning and skills for the region to achieve its potential**. To achieve this goal, the IDB supports Latin American and Caribbean countries in five main dimensions based on the policies and programs implemented by successful education systems and the lessons learned from the experience of the Bank in this sector. • The IDB supports countries in achieving education systems around the following five dimensions: 1. **high student learning goals guide the provision and monitoring of educational services at every level:** The IDB supports countries in setting forth high and precise goals about what the student should know and be able to do after completing each cycle of the education system, as well as fostering in the LAC region the creation and strengthening of national quality assurance systems. This includes supporting national, regional and international learning evaluations to effectively measure the progress made towards reaching these goals. 2. **new students enter the system ready to learn:** This area of support aims at reaching the hardest-to-reach populations with preschool and ECD quality programs to narrow the gaps related to opportunities and educational outcomes that separate children who belong to different socioeconomic levels, genders, ethnic groups, regions or zones of the country, so that they all enter the education system prepared to learn. 3. **all students have access to effective teachers:** This area of support focuses on ensuring that the students have access to effective teachers, especially among the most vulnerable populations, and setting priorities regarding projects and programs that promote teaching quality and school leadership. 4. **all schools have the adequate resources and can use them for learning and developing skills:** The purpose of this area of support is to align investments in school infrastructure, learning resources and teaching time with the other dimensions to promote improvements in learning levels and the acquisition of student skills. 5. **all children and young people acquire the necessary skills for being productive and contributing to society:** The IDB supports countries in developing the cognitive, socioemotional and interpersonal skills that are required so that school graduates are successful in society, post-secondary education and in the labor market. It also supports countries in facilitating the transition of young people to post-secondary education and the labor world, encouraging the acquisition of the necessary skills to continue their lifelong learning process.

How many staff work on education? How many are in HQ versus the field? Please provide example of one or two countries with big teams? Eg. Nigeria, Indonesia, Bangladesh?	• The Education Division at the IDB currently has 30 staff and 30 consultants (in house. Among staff members, 15 are based in HQ in Washington DC and 15 are based in the country offices throughout LAC. Among consultants, 18 are based in HQ and 12 are based in the country offices. The IDB has a strong presence in LAC with country offices in all 26 borrowing member countries.
How large is the current education portfolio? What is the distribution across sectors?	• The current active portfolio of the IDB in education is US$ 3 billion, with 38 active education projects in 19 countries. Investment in infrastructure and school resources contributes to more than 50% of the active portfolio. Other areas of investment include curriculum reform, teacher training, management systems and new technologies, among others. • 35% of the portfolio supports secondary education, 30% primary education, 11% preschool education and 6% technical and vocational education. During 2018, we approved the first loan for post-secondary education in Peru.
What is the average annual lending during the last 3 years? (give total outstanding active portfolio in current prices)? What is the distribution across sectors?	• In the last three years, the average annual lending has been US$ 600 million. The distribution across sectors is similar to the one presented above.
How much could MDB potentially expand activities under gradual and rapid IFFEd expansion scenario? Please add data from table on scenarios.	• Only three countries of LAC are considered in these scenarios: Guatemala, Honduras and El Salvador (column B)
What scope does MDB have to increase HR capacity? How would this be done?	• If the portfolio of education projects expands, the IDB could expand its HR capacity by hiring local and international consultants to support the work of the current staff
How many countries are eligible to borrow from the MDB?	• The IDB has 26 borrowing member countries, all of them in Latin America and the Caribbean. • The IDB uses a country grouping for purposes of monitoring the distribution of its lending. It divides countries into Groups I and II, based on their GNP per capita in 1997. • On the basis of their lower per capita income, the Bank channels 35 percent of its lending volume to the Group II countries: Belize, Bolivia, Colombia, Costa Rica, the Dominican Republic, Ecuador, El

	Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Panama, Paraguay, Peru and Suriname . • Approximately 65 percent of the lending volume is thus channeled to the Group I countries: Argentina, the Bahamas, Barbados, Brazil, Chile, Mexico, Trinidad and Tobago, Uruguay and Venezuela. • In addition to these two country groupings, the IDB has the mandate to devote at least 50 percent of its operations and 40 percent of its resources to programs that promote social equity and reduce poverty.
How many countries have active education loans? What is the regional distribution?	• The IDB has 38 active education projects in 19 countries, all in LAC.
How does MDB assess debt risk of countries applying for additional education loans?	• The IDB carries out an independent assessment of the macroeconomic conditions of the borrowing countries to inform lending decisions. The assessment is carried out by the Research Department of the IDB
How does MDB ensure equity is prioritized in financing packages and programs?	• All projects at approval are assessed for their alignment to the corporate strategy of poverty reduction and equity enhancement. All projects with investments in basic education in the public sector (most IDB lending operations in education) are considered equity enhancer given that they are targeted to the most vulnerable populations who mostly attend public education in these countries.
What is the MDB's experience with results-based financing or results-based approaches? (In education or other social sectors)	• <u>Results-based project mixing lending and grants.</u> The IDB has a successful experience in the health sector with results-based projects that combine both grants and lending. The Salud Mesoamerica Initiative (SMI) is a public-private partnership between the Bill & Melinda Gates Foundation, the Carlos Slim Foundation, the Government of Spain, the Inter-American Development Bank, the countries of Central America, and the state of Chiapas, Mexico. SMI aims to reduce maternal and child health inequalities through a results-based financing model (RBF at the system level), aligned with priorities established by the governments of the region. • The SMI innovative model is based on four basic concepts: 1) Countries have to work within the poorest 20% of their populations; 2) SMI funds can only finance evidence-based, cost-effective and promising interventions; 3) Using the RBF model, all projects are co-financed by SMI and countries (50% average cost-sharing, leveraging domestic funding); and, 4) All results are externally verified by an independent third party (the Institute of Health Metrics and Evaluation) through both household and health facility surveys. If

	countries meet 80% of their goals, they receive 50% of their original investment to use freely within the health sector. • The IDB is currently designing an initiative with a similar results-based financing model to develop digital skills among students on a selected number of countries. • Results Based Loans. Among IDB portfolio of financial instruments, we have investments loans with disbursements tied to achievements of results. As an example, among the education portfolio, we currently have a loan based on results in Uruguay that ties the disbursements to the achievement of learning goals (both math and digital skills).
What are the major areas of research and development in education group at the MDB? Give an example of this.	• Our main current areas of research include: school financing, teacher policy, development of skills (technical and vocational education and socioemotional skills), early childhood interventions, and using behavioral economics for education policy. • A few examples include: o Teacher sorting in LAC https://publications.IDB.org/handle/11319/9124 o Eficiencia de gasto en Colombia https://publications.IDB.org/handle/11319/9151?locale-attribute=pt& o Private schooling and public policies in LAC https://publications.IDB.org/handle/11319/9259 o Profesión: Profesor en América Latina https://publications.IDB.org/handle/11319/8620
What capacity is there to conduct and provide advisory and analytical work? Number of analytical advisory and analytical studies. How are the studies being used?	• The IDB regularly conducts research on key education areas relevant to our member countries. See the examples presented above. • Furthermore, we provide technical assistance through grants and fees for service (consultancy services) based on country demands and needs. These studies are used to advice education policy in each of the countries. • The IDB also develops regional projects to advance knowledge and exchange of best practices among countries. As an example, a few of these initiatives have covered topics related to school infrastructure, evaluation systems and education management systems.
What new areas of work or innovations is the MDB currently	• Digitally Ready Education Systems. At the IDB we are working to develop know-how and provide financial support to countries to promote digital solutions to ensure everyone has the skills and knowledge

exploring? (This could be in financial instruments or areas of work)	to thrive in a changing world. We have three main areas of work: 1. Connect and discover (dialogue with experts and policy makers, build networks and foster partnerships); 2. Build Capacity (Improve IDB's and government's capacity to leverage new technologies and Expand digital infrastructure (connectivity, devices)), and 3. Develop and implement solutions (Digital transformation of education management systems, Use of technologies in the classroom for teaching and learning (k-12), and Develop online learning technologies for post secondary and life-long learning)
What are other factors to consider in scaling up with IFFEd resources? What other factors would help you assess additional demand and commitment from countries?	• Capacity of countries to take on foreign debt • Capacity of countries to implement programs • Importance of providing technical assistance to support implementation of programs.
How are programs evaluated? What is the process (include project as well as more general evaluations from independent ev groups)? What kind of ratings have education projects received?	• The IDB promotes strong evaluation frameworks in all lending operations. The IDB has put in place a system that allows the design sound development projects, monitor their progress, and measure their results and impact. o At the design of all lending operations, the Bank measures the evaluability of development interventions with a set of development effectiveness matrices. These matrices allow an assessment of whether products meet a minimum set of information requirements such that reliable and credible monitoring may be conducted during implementation, and reporting results from the interventions in a rigorous manner at completion through evaluation is possible. o All projects have Monitoring and Evaluation (M & E) plans, that includes processes, systems and tools to analyze performance of the Bank's development interventions. Evaluation has shifted from reflexive comparisons to more rigorous methodologies. o Implementation of all loans is monitored using a quantitative approach to track the achievement of a project's outputs and outcomes relative to its estimated time and cost parameters, through the Project Monitoring Report (PMR). The Progress Monitoring Report (PMR) is a tool to enable results-based management, shifting the focus of monitoring of implementation from inputs to outputs and outcomes. o Results at completion are reported in the Project Completion Report (PCR), and are externally validated by the Office of Evaluation and Oversight (OVE). The Bank's strong commitment to produce evidence on "what works" has resulted in an increased number of operations that include rigorous impact evaluation components at project design.

	• The Office of Evaluation and Oversight (OVE) is an independent office of the Inter-American Development Bank (IDB), reporting directly to IDB’s Board of Executive Directors. OVE’s goal is to provide accurate, constructive, and evidence-based information on the performance and development effectiveness of the activities of the IDB Group. OVE undertakes its own evaluations of project-level results while also supporting broader IDBG-wide systems for project self-evaluation by management.

World Bank

<table>
<tr><td>How is education positioned in the corporate strategy?</td><td colspan="2">• Human capital is one of three pillars that support the WB’s overall strategy to eliminate extreme poverty and build shared prosperity.
• The Human Capital Project and Wealth of Nations are major efforts to measure human capital, position it within a theory of growth and development, and advocate investment.</td></tr>
<tr><td>How many staff work on education?</td><td colspan="2">• 279 education staff, including 66 economists, 127 education specialists, and numerous operations officers and specialists in a range of fields from science and technology to institutional development and learning assessment.
• 72 education of the education staff are based in 60 different country offices.
• Several IFFEd-eligible countries have particularly strong complements of education staff based in-country (7 in India, 6 in Indonesia, 4 in Vietnam, and 3 in Kenya).
• Additional capabilities for education and training support are in governance, finance, social protection and technical fields such as agriculture and health. Working as part of a country team, specialists from across sectors are able to address intersections of finance and education, health and education, education and jobs, or education, equity and inclusion.</td></tr>
<tr><td>How large is the current education portfolio?</td><td colspan="2">• $16.7 billion total in projects under implementation
• 150 projects</td></tr>
<tr><td>What is the average annual lending during the last 3 years?</td><td colspan="2">• 2,892 million in new commitments per year</td></tr>
<tr><td>How much could MDB potentially expand activities under gradual and rapid IFFEd expansion scenario?</td><td colspan="2">• In IFFEd’s rapid start up scenario, lending to LMICs would expand from the current annual average of $543 million to 1043 million in year 1 to 2076 million by year 5.
• In IFFEd’s slow start up scenario, lending to LMICs would expand from the current annual average of $543 million to 768 million in year 1 to 1225 million by year 5.</td></tr>
<tr><td>How many countries are eligible to borrow from the MDB?</td><td>• 34 Low income
• 47 Lower middle income
• 56 Upper middle income
• 81 High income countries</td><td>• 59 IDA
• 16 blend
• 69 IBRD</td></tr>
</table>

How many countries have active education loans?	• 80 countries, plus 3 regional programs
How does MDB assess debt risk of countries applying for additional education loans?	• All lending programs are assessed for credit risk, and limitations placed on lending where appropriate • Decisions are informed by assessments of risk of debt distress by the World Bank and IMF
How does MDB ensure equity is prioritized in financing packages and programs?	• Each project appraisal contains a mandatory analysis of poverty and social impact. This is intended to ensure alignment with the twin goals of reducing poverty and building shared prosperity, and to assess the specific distributional impacts of the project. In **Jordan**, the Government has integrated more than 130,000 Syrian refugee children into public schools and is planning to expand this number to 160,000 with support from the new Bank Group-financed Education Reform Support Program. Bank Group support is also helping the country revise its early grade curriculum and expand preschool access, with the goal of reaching an 85 percent enrollment rate over the next five years. In **Indonesia**, more than 15,000 teachers across 25 districts were trained to provide early childhood education as part of the Early Childhood Education Smart Generation in Villages program. The program, which was initiated in 2016, strengthened collaboration between various ministries to further early childhood development opportunities, particularly in the country's poor and rural areas. In Indonesia, an estimated 20,000 villages – or about 30 percent of all villages in the country – don't have access to early childhood education facilities.
What is the MDB's experience with results based financing or results based approaches? (in education or other social sectors)	• The WB has more than $3.6 billion of education projects with RBF • It is building body of evidence of how to make RBF most effective – e.g. by anchoring programs in strong theory of change within a particular country context, providing implementation support, and designing programs based a good understanding of how incentives work for teachers, students and families, and schools.
What are the major areas of research and development in education group at the MDB?	• Eight "Global solutions groups" lead research, provide operational support, and build communities of practice I the following areas: ○ Early childhood development ○ Skills ○ Curriculum, instruction and learning ○ Teacher careers and professional development ○ Tertiary education

	○ Management capacity and service delivery ○ Technology & innovation in education ○ Education financing and reforms • The World Bank's 2018 World Development Report documented a "learning crisis" in many developing countries. It advocated improving educational quality by assessing learning, acting an evidence to make schools work for all students and aligning actors to make the whole system work for learning.
What new areas of work or innovations is the MDB currently exploring? (this could be in financial instruments or areas of work)	• A wide range of financial innovations are being piloted or in the design phase across the WBG innovations include concessional financing facilities, guarantees, catastrophic risk insurance, pandemic insurance, currency swaps, first loss guarantees, investment mobilization platforms, guarantees, reinsurance, green and SDG bonds, social impact investment funds, sub-national and non-sovereign lending, public private partnerships, and the IDA private sector window.
What capacity is there to conduct and provide advisory and analytical work?	• 168 advisory or analytical studies are ongoing. • The World Development Report 2018 (WDR 2018)—LEARNING to Realize Education's Promise—is the first ever devoted entirely to education. And the timing is excellent: education has long been critical to human welfare, but it is even more so in a time of rapid economic and social change. The best way to equip children and youth for the future is to place their learning at the center. The 2018 WDR explores four main themes: 1) education's promise; 2) the need to shine a light on learning; 3) how to make schools work for learners; and 4) how to make systems work for learning. • "Facing Forward: Schooling for Learning in Africa" lays out a range of policy and implementation actions that are needed for countries in the region to meet the challenge of improving learning while expanding access and completion of basic education for all. The study is unique in characterizing countries according to the challenges they faced in the 1990s and the educational progress they have made over the past 25 years, allowing countries in the region to learn from each other. • The World Bank Group has focused its efforts in education in two strategic directions: reforming education systems at the country level and building a high-quality knowledge base for education reforms at the global level. The Systems Approach for Better Education Results (SABER) is helping the Bank realize this goal. At the country level, it provides education systems analyses, assessments, diagnosis, and opportunities for dialogue. At the global level, it improves the education systems knowledge base and uses this information to implement effective reforms. Using diagnostic tools and detailed policy information, SABER produces comparative data and knowledge about education system policies and institutions. It

	evaluates the quality of those education policies against evidence-based global standards, with the aim of helping countries systematically strengthen their education systems.
Other factors to consider in scaling up with IFFEd resources	• Country-level poverty diagnostics and assistance strategies are generally supportive of education. • 28 countries have committed as “early adopters” of the human capital project, to conduct in-depth analysis of human development trends and investment strategies. Interest among others is high. • The Bank has flexible staffing and budget models, which allow expansion or contraction based on the size of the work program. Consultants can be hired quickly; it generally takes 3-6 months to hire staff. • The Independent Evaluation Group evaluates all projects upon completion. 88% of education projects were rated marginally satisfactory or better.