The International Finance Facility for Education (IFFEd)

the Education Commission

December 2021

What is IFFEd?

IFFEd is a public-private partnership to transform education and fill the financing gap in lower-middle-income countries. It is one of the Education Commission's key recommendations* and creates a step-change in development finance for education.

IFFEd will….

Bring together and expand the education ecosystem
by engaging with government, non-government, and private sector players, enabling and leveraging distinct strengths of each stakeholder.

Identify breakthrough solutions in education
by working with EdTech and other innovators to curate new ideas in a post-COVID-19 world, working with public and private partners to design, test, and evaluate approaches in different contexts.

Supercharge education financing
by working with public and private donors who contribute equity guarantees and grants to IFFEd which are used to leverage multiples of additional affordable financing through the multilateral development banks (MDBs).

* *In its landmark 2016 Learning Generation report, the Education Commission – composed of current and former heads of state, ministers of finance, and top global business and education leaders – looked at ways to improve learning outcomes around the globe.*

An invitation to join

IFFEd's design has been completed with strong support from a number of bilateral donors and four MDBs (African Development Bank, Asian Development Bank, Inter-American Development Bank, and the World Bank). Steps are now underway to launch IFFEd so it will be operational in 2022 as called for by the UN Secretary-General in his *Our Common Agenda* report. IFFEd's financial model has already been reviewed and assured by credit rating agencies.

In 2022, IFFEd will launch with a 3-year business plan to immediately demonstrate impact and mobilize at least $10 billion in new financing for education.

To realize IFFEd's potential to ensure all children are in school and learning, we invite public and private donors to join IFFEd as soon as possible.

Interested in learning more about IFFEd? Contact us: IFFEd@educationcommission.org

PPP
public-private partnership focused on innovation

$10 billion
additional funding generated by IFFEd

7x
return on investment vs. traditional grant aid

STRONG
anticipated credit rating of IFFEd

A new COVID reality

The crisis

Even before COVID-19, over half of the world's children and youth were either out of school or in school and not learning. During the global pandemic, more than 1.6 billion children and youth – nearly the entire world's student population – had their education disrupted. The scale and speed of this disruption was unparalleled, and the worst impacts will be felt by the poorest and most vulnerable, especially girls, for years to come. Unless we act now, learning losses will translate into significant long-term challenges, including lower labor market participation and significantly lower future earnings.

The opportunity

COVID-19 has shown both the power and the need to move innovation from the margins to the center of education systems. Now is the time to invest in smart, resilient, and equitable education systems and transform education for decades to come. Now is the time to invest in innovative and engaging ways of teaching that harness new tools from EdTech to AI, to expand personalized learning at scale. Now is the time to develop skills to prepare young people for the green jobs of tomorrow and equip them to play a leading role in the Fourth Industrial Revolution.

The financing imperative

Ever greater fiscal pressures, due to the pandemic, may force governments to cut back on ambitious education initiatives at exactly the time investment in education is essential for recovery and growth. The only viable way of resolving this tension is for the international community to come together around smart financing approaches for education which enable the available resources to go further.

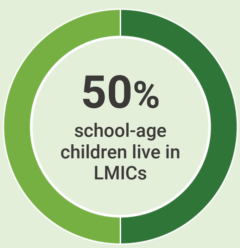
The special challenge of lower-middle-income countries (LMICs)

Fifty LMICs are home to more than half of the world's children and youth (more than 700 million), the largest number of out-of-school children, and the largest number not learning of any income group. This includes some of the most populous countries such as India, Indonesia, Kenya, Nigeria, and Pakistan. Even under the most optimistic scenarios of increased domestic budgets and more efficient spending, LMICs will face a financial shortfall to address these challenges, likely rising to 80 percent of the total global financing gap by 2030.

The financing gap in LMICs is much too large to be solved by traditional grant aid, which is not even enough to address the needs of the poorest countries. Total global aid for education is currently only around $16 billion, falling far short of covering the estimated financing gap of more than $40 billion annually. Indispensable programs such as the Global Partnership for Education (GPE) and Education Cannot Wait (ECW) are not designed to address LMICs' large long-term financing needs and are already stretched focusing on low-income countries (LICs) or emergency humanitarian needs.

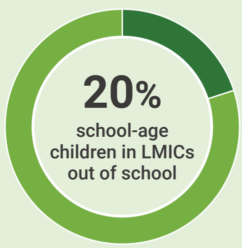
LMICs can afford to borrow for education, but not at commercial rates. IFFEd is designed to address this critical need. By maximizing scarce donor resources in an unprecedented way, IFFEd allows donors to better meet the financing needs of LMICs at an affordable cost, without having to reduce allocations to LICs or for humanitarian crises.

Targeting lower-middle-income countries



700 million
school-age children live in LMICs

1/2 of the global total



155 million
school-age children in LMICs are out of school

2/3 of the global total

410 million
youth are without basic secondary skills

3/5 of the global total

What impact will IFFEd have? A 7x return on investment

IFFEd will increase access and learning outcomes for the most marginalized children and youth, especially the poorest, girls, the disabled, and those forcibly displaced. Compared to traditional grant aid, IFFEd will provide low-cost finance that can benefit seven times more children and youth for the same grant contribution.

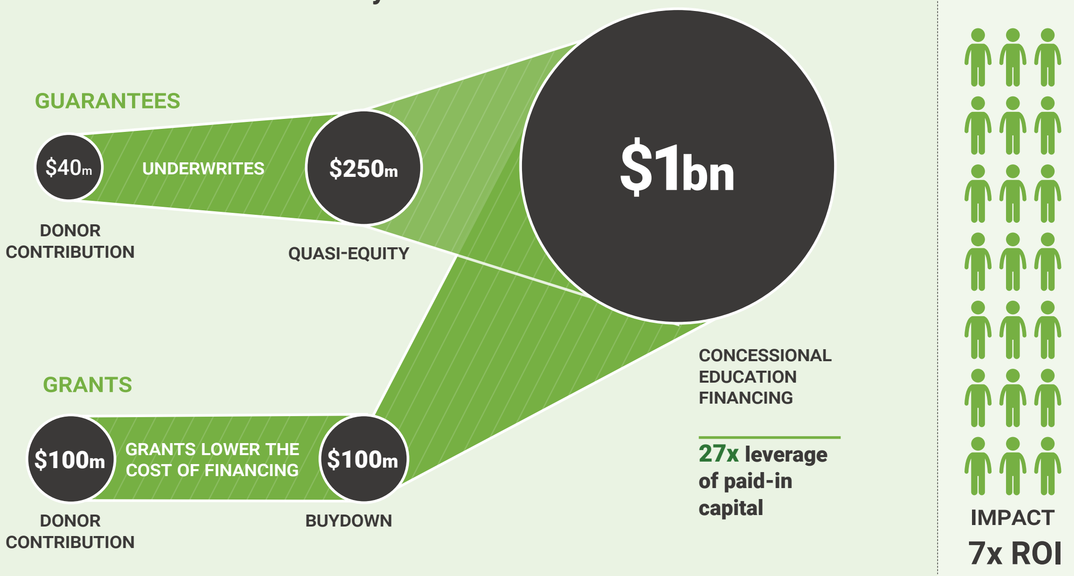
Getting to $1 billion

$140m cash contribution produces $1bn of *affordable* finance

Traditional Model

Traditional grant aid yields $140 million of education investment for every $140 million of donor investment.

International Finance Facility for Education



Under IFFEd, the same $140 million generates $1 billion of concessional financing for countries: $40 million paid-in cash (as part of a $250 million guarantee) together with $100 million in grants lower the cost of $1 billion in education financing for partner countries.

How does IFFEd supercharge and deliver education financing?

IFFEd raises guarantees and grants from donors to allow MDBs to raise more financing in the capital markets and offer countries affordable financing terms.

Guarantees

IFFEd uses donor guarantees to provide a new form of quasi-equity to MDBs. This allows them to raise additional financing in capital markets and provide funding to countries for education. For every $1 in guarantees, donors only need to provide $0.15 in cash as paid-in capital, with the remaining $0.85 in the form of a commitment to disburse should loans not be repaid. This $0.15 paid-in capital triggers $4 in MDB lending – a 27x leverage. Just $40 million in paid-in capital mobilizes $1 billion in new financing.

Grants

Donors also provide grants to IFFEd. These grants that are disbursed alongside the loans are effectively used to buy down the interest rates charged by the MDBs to lower the cost of education financing for eligible countries. These grants allow countries to borrow for education on more affordable terms and encourage them to invest in education. For every $1 billion in MDB financing, we propose $100 million in grants to soften the terms of the financing provided.

MDBs work with country governments to develop education projects and agree on a financing package. A country's eligibility is evaluated by four criteria: the presence of a national education sector plan, ability to take on more financing, commitment to mobilize domestic resources, and willingness to integrate results targets of quality and equity. MDBs have a strong track record in project design and delivery across a range of much-needed education investments. The project financing agreement is backed by the IFFEd guarantees and made affordable by the IFFEd grants.

To be eligible for IFFEd support, countries must:

- Have a credible education sector plan
- Be able to sustainably take on more development bank financing
- Commit to mobilizing more domestic funding
- Integrate results-based performance targets

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@educommission

IFFEd@educationcommission.org

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