Education Cannot Wait's (ECW's)
Approach to Innovative Financing

June 2018

The contribution of education to resilience, peace and development is well known. Education has the power to break the cycles of poverty, violence, and injustice and provide crisis-affected children with the strength, tools, and hope they need to build a brighter future for themselves and their community. The economic case for tackling it is compelling since the cost of not financing education, particularly in crisis and emergency contexts is even higher. In the long term, financing education requires both private and public funds, which are frequently constrained in contexts of austerity.

Education Cannot Wait (ECW) seeks to reach 75 million crisis-affected children and youth, who are in urgent need of educational support. Innovative financing can play an important role in generating more and better financing to help close a US$8.5 billion funding gap by 2030.

ECW's approach to innovative financing builds on the Humanitarian Financing Report to the Secretary General[1], which was presented at the World Humanitarian Summit: ECW aims to "deepen and broaden the resource base" by developing new sources of finance, bringing in new donors and private financial contributions, and engaging individuals, as well as improve delivery of education by managing program implementation risks, creating incentives linked to results, and engaging different financing and implementation partners.

ECW's approach is aligned with the call to explore and use innovative finance to fund the Sustainable Development Goals (SDGs), alongside traditional means of financing and implementation.[2] ECW's approach to innovative financing also supports the United Nations' "New Way of Working" by deploying new funding tools that suit the modalities of different types of actors and tie financing more closely to progress towards achieving collective outcomes.[3]

In this vein, innovative financing supports the implementation of the ECW Strategic Plan 2018-2021, in particular its second objective to "increase financing for education in crisis." Also, it contributes to the strategic objective to "increase political support to education in crisis" by attracting new and different development partners as well as "improve accountability" through new modes of financing. Similarly, this innovative financing approach is aligned with and will support the ECW Resource Mobilization Strategy 2018 – 2021.

1. The Goals: More and Better Financing

Innovative financing will generate more and better financing for education in emergencies and protracted crisis. ECW will draw on innovative financing in two ways[4]:

[1] Humanitarian Financing Report to the Secretary General "Too Important to Fail – Addressing the Humanitarian Financing Gap," 2016.
[2] Outcome of Document of the UN Conference on Sustainable Development (20-22 June 2012), "The Future We Want", paragraphs 253-268.
[3] See OCHA, 2017, The New Way of Working, https://www.unocha.org/sites/unocha/files/NWOW%20Booklet%20low%20res.002_0.pdf
[4] As lined out and based on ECW Operating Model

More financing (innovative sources of financing): Innovative financing can create new sources of financing, additional to existing funds from bilateral donors. It can also create opportunities to leverage funding from sources that do not (or do not sufficiently) provide funding for education in emergencies and protracted crisis. Additionality is key as new sources should not crowd out existing funds. Sustainability and predictability of financing are highly desirable from a programmatic point of view as education requires long-term investments.

Better financing (innovative financing instruments): Innovative financing can improve the efficiency and effectiveness (or value for money) of ECW projects and programs. Approaches for increasing efficiency of funding can make funds available when needed and help manage risks of unpredictable funding needs (align availability and timing of cash flows and amounts with funding needs) through contingent finance and insurance. Approaches for increasing effectiveness of funding can create incentives to deliver results, manage operational risks, and create space for innovation in project design, for example through results-based finance, impact bonds, and outcome investing.

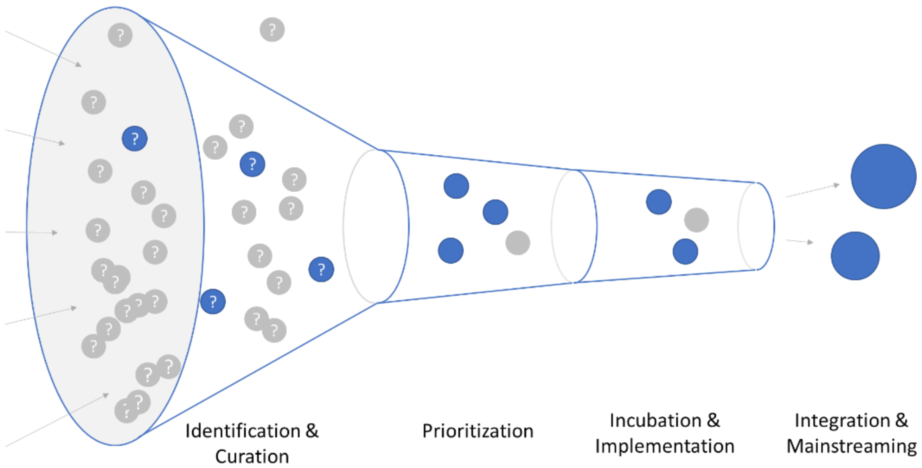
As such, more and better financing are often interlinked and mutually reinforcing. New and more effective financing instruments can attract new and different types of funders who ask for social returns, have a different risk appetite, and follow operating procedures that are different from traditional humanitarian and development finance.

2. How: Innovation Process

For innovative financing to contribute to ECW's strategic goals and operational success, it is pursued strategically, from identification of new opportunities, to ideation, implementation and mainstreaming.

Often, strategic innovation requires experimentation and learning where only a few of the original ideas come to implementation: It requires an efficient process of continuously identifying multiple opportunities and then testing the viability of ideas efficiently and quickly. This process will produce successes and failures – no or only a few failures should be interpreted as an indicator for not thinking boldly enough, not innovating, and not taking enough risk.

ECW will maintain a continual pipeline of innovative finance opportunities that will be tested and implemented. Ideally there will be a portfolio of different initiatives at different stages of development.



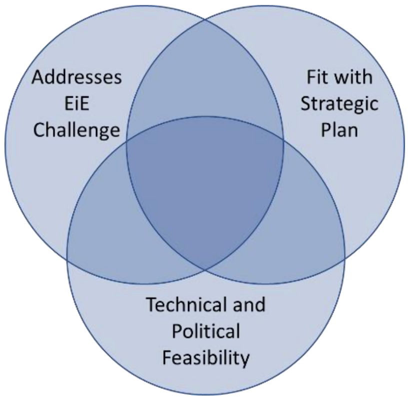
2.1 Identification and curation of opportunities

Innovative finance requires identifying a rich set of opportunities. ECW uses the following tools to identify target initiatives:

- Mapping/landscaping of existing innovative finance ideas and initiatives that were tried in other sectors. Systematic desk review of existing ideas, proposals and successfully implemented innovative financing initiatives.
- Innovation Challenges: Crowdsourcing innovative financing ideas.
- Expert consultations: Facilitating brainstorming meetings and consultations with experts with a broad range of backgrounds: humanitarian finance, development finance, philanthropy, corporate social responsibility, commercial finance, capital markets, and blended finance; also with experts from other sectors, such a health, climate change and the environment.

2.2 Prioritization of opportunities

Prioritization ensures that only ideas with the most potential will be pursued further. Prioritization takes into account alignment with the ECW Strategic Plan 2018-2021, fit with education in emergencies and protracted crises, financing needs, and technical and political feasibility.



a) Addresses financing challenge for education in emergencies and protracted crises. Innovative financing is successful if targeted to solve clearly defined financing challenges such as “generate more funding”, “make funding available when needed”, “or “manage risks to deliver education to children and youth”. The following four financing challenges for education in emergencies and protracted crises were identified. These four financing challenges will be addressed later by identifying financing solutions. It should be noted that this is an evolving list that will be reviewed continually, in line with ongoing learning and following an adaptive approach to innovative financing.

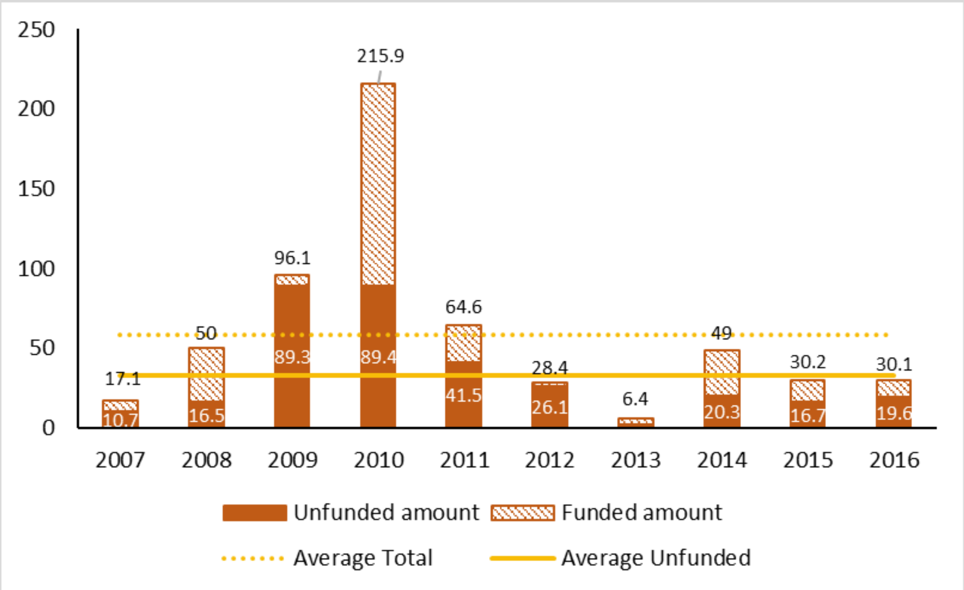
- *Resource mobilization: EiE requires additional grant funding*. ECW faces a fundraising challenge at the scale of billions of dollars. The original fundraising goal of ECW was set at US$153 million for 2017 and was expected to gradually increase to reach US$1.5 billion in 2021, leading to a total fundraising envelope of US$3.725 billion over 5 years. This fundraising goal is currently being reviewed but likely to remain of a similar magnitude. As this funding will benefit some of the poorest and most vulnerable children and youth and most of it will be needed in some of the poorest countries in the world, a large share of funding will have to come from grants from international sources.

Resource mobilization should prioritize sources of funding that provide sustainable and predictable long-term funding. Crisis is often protracted in nature and can last on average for more than 10 years. The short-term nature of humanitarian financing and delivery cycles create a financing gap for social services, especially education and health, can undermine long-term planning, and prevents capacity building that can help overcome crisis.

- *Changing modalities: EiE often requires financing that helps manage education delivery risk and brings together/engages different financing and implementation partners.* ECW must deliver education in some of the most challenging environments, often characterized by quickly changing demands, high implementation and operational risks, and low capacity. These environments require flexibility on the ground, careful risk management, empowered implementation partners, getting operational incentives right, and building education delivery partnerships that bring together different stakeholders. Financing instruments can help structure these partnerships, for example, by managing risks, creating financial incentives, and/or ensuring that roles and responsibilities of the actors involved are aligned with their individual strengths and comparative advantages.

- *Prearranged emergency funding:* Education funding needs for first response to emergencies are highly unpredictable both in terms of frequency and volume. EiE requires prearranged, quick access to capital. In the last ten years, annual funding needs ranged between US$6.4 million in 2013 to US$215.9 million in 2010 with an average of US$58.8 million – only about a third of the peak (see Figure 1).[5] Out of this, between US$2.5 million and US$89.4 million (with an average of US$33.3 million) went unfunded. The unfunded share was also highly volatile in relative terms, from a third in 2008 to more than 90 percent in 2009. Unpredictability and high

Figure 1: Funding needs and unfunded amounts for first response for education in emergencies (in US$ millions)



[5] All calculations are based on FTS data. Funding needs are calculated based on Flash Appeals and Appeals for Natural Disaster for the education sector/cluster. Consolidated Appeals and other Appeals that address protracted crisis are not included.

volatility of annual funding needs pose a severe financing challenge for education in emergencies, ECW, and humanitarian funders at large. Addressing funding need peaks requires prearranging funding that is three times larger than the annual average. ECW would benefit from developing intelligent cash flow management strategies flexible enough to respond to events that cannot be planned for ahead of time. It also may benefit from risk management and risk transfer to the markets.

- *Increased concessionality: EiE in Middle Income Countries (MICs) often requires access to concessional finance.* MICs may have access to loans from MDBs or even access to the capital markets but may be overwhelmed by the needs created by an emergency. Examples include refugee influx as recently experienced by Jordan, Lebanon, and Bangladesh; response to natural disaster such as earthquakes, tsunamis, or droughts; or sub-national conflict as experienced by Ukraine, the Philippines, and others. In cases in which they are hosting refugees, countries provide a regional good and can help bring stability to a region, which justifies the international community's additional efforts to support them. In these cases, concessional finance can help target funds to provide education in emergency situations, in particular provide cheaper funding for creating regional public goods.

b) Alignment with ECW Strategic Plan 2018-2021: The ECW vision of a "world where all children and youth affected by crises can learn free of cost …" sets the focus on financing of free education and the need for grant and highly concessional funding. These are important criteria for prioritizing financing opportunities.

- ECW was created to provide equitable education to all and therefore focuses on free education for children and youth in emergency situations. Innovative financing of private for fee and low fee education models was not considered. Financing solutions for free education models that involve private for-profit and not-for profit service providers are considered as long as the they allow for free education for children and youth. The free education postulate excludes innovative financing instruments that require financial returns from fees to education providers, including dedicated education microloans or savings that could help pay for school fees. It also discounts financing models of for-profit schools and education providers such as guarantees, guarantee facilities, impact investments in low fee schools, etc.
- Most ECW funding will need to be provided in the form of grants from international sources. ECW predominantly works in conflict settings, which are characterized by a weak or non-existent government, or in support of refugees who pose an additional burden on often already poor host countries, or in response to natural disasters that strain public budgets in many ways and often beyond what they can deal with.

c) Feasibility: Finally, assessment of technical and political feasibility is key.

- *Technical feasibility*: Technical feasibility is assessed based on expectations regarding the difficulty of implementing the innovative financing instrument or mechanism. Criteria include the overall simplicity of the financial and legal structures, past track record of similar initiatives, the number of actors (as the more actors there are, especially if they differ in their interests and technical language, the harder it is to find common ground), ECW Secretariat's and stakeholders' implementing capacity, as well as considerations of cost efficiency and risks vs. expected return considerations.

- *Political feasibility*: Most often, innovative finance requires political support and strong political leadership as it is new, requires flexibility and bypassing established procedures, and entails reputational risks, including the risk of failing. Political feasibility is assessed on the basis of expected overall political support from key stakeholders, complexity of establishing political leadership of one or – more difficult – many political sponsors, and control over potential implementation bottlenecks by ECW Secretariat. Also, potential reputational risks for key stakeholders have to be considered.

2.3 Incubation and Implementation

Incubation and implementation of innovative financing initiatives are highly context specific and may require a plethora of approaches. Some of them may be implemented in-house, by the ECW Secretariat directly, others may require developing new resource mobilization partnerships, to start a social enterprise, design new financial products with financial intermediaries or bank partners, or others may require new implementation partnerships on the ground. Nonetheless, incubation and implementation will follow two general learning principles:

- Adaptive and agile: Design, development, and implementation will be pursued through rapid cycles of planning, action, reflection and revision to foster learning from both success and failure.
- Evidence-driven: Throughout the incubation and implementation process new evidence on what works will be collected. Evidence will define the design of the implementation and lead to pivoting from the original idea, if necessary.

Incubation and implementation can take different forms in the way it aligns financing with ECW funding windows.[6] For resource mobilization, innovative financing may contribute unearmarked funds to the ECW Fund. It also may contribute to specific ECW funding windows, for example contingent finance or insurance for the First Response Window. It may support specific projects as a leveraging facility for example through crowd funding and/or outcome investing. Innovative financing instruments and providing better financing may require opening a new ECW funding window specific to the innovative financing instrument for example complex country-specific insurance schemes, development impact bonds, and risk-based financing

2.4 Integration and Mainstreaming

The goal, in the long run, is to develop financing initiatives that support, are integrated, and are mainstreamed in ECW core operations. This could be, for example, through developing a new sustainable financing source, better managing the contingency funds of the First Response Window, or introducing a new modality for multi-year investments.

[6] Adapted from ECW Operating Model.

3. What: Innovative Financing Priorities

As laid out in the previous section, innovation requires an adaptive approach, agility and continual learning. Therefore, the ECW priorities on innovative financing will be reviewed periodically, at least twice a year, and adapted so as to focus on the most promising financing ideas and initiatives.

Current priorities and planned actions address the four challenges identified in the "Prioritization" section above (see page 4) and are based on an initial "Mapping of Opportunities and Approach for the Way Forward" from October 2017. This structure and approach assure that innovative finance is driven by education in emergency priorities and that financing solutions address the most important challenges.

3.1 Resource Mobilization through Innovative Financing

Raising unrestricted, sustaining and unearmarked funds for the ECW Fund may be one of the hardest challenges and at the same time one of the biggest needs for ECW.

To address this challenge, the current focus is on generating new ideas for resource mobilization, in line with the broader ECW Resource Mobilization Strategy 2018-2021. To do so, ECW launched a Resource Mobilization Challenge in June 2018. ECW is seeking proposals for bold ideas to help address the billion-dollar finance gap for education in emergencies and protracted crises. Ideas should be substantive and have the potential to raise at least US$50 million per year continually (or US$100 million total once, if a onetime effort). Sources should allow the provision of grant funding as ECW is committed to providing equal and free education. The goal of the Challenge is to surface new and actionable ideas for large scale resource mobilization efforts with a real potential for implementation. The deliverables of the Challenge will be a unique idea and a business plan for implementation. ECW will award up to three prizes of up to US$25,000 to those who can offer the best, most innovative and credible idea and business plan for resource mobilization. In addition to the prize, ECW may consider supporting the implementation of winning proposals with seed funding. It is expected that the most promising ideas will be identified by the end of September 2018 and business plan will be developed and delivered by end of January 2019.

In parallel, ECW will explore resource mobilization opportunities related to Islamic Finance, linking up development endowments (Al-waqf Al-Inmaa'i), which could dedicate a sustainable share of its returns to fund education in emergencies. Another area is to partner with the Islamic Development Bank Group, mainly the Islamic Solidarity Fund, to explore innovative financing solutions associated with social impact funds (Sukuk) and charitable giving (zakat).

3.2 Changing modalities

Education in emergencies and protracted crises often requires financing that helps manage delivery risk and bring together and empower different financing and implementation partners. Financing can help structure these partnerships, create modalities that suit different types of actors, and tie financing more closely to progress towards achieving collective outcomes.

ECW aims to implement impact bonds and related forms of outcome investing for EiE. These create a financing contract between so called "impact investors", "outcome funders", and "service providers". They focus on outcomes and realign operational/implementation risks and incentives to deliver results. They lend themselves to investments in education in emergencies for at least two reasons. First, many education interventions allow for a sufficient level of attribution of outcomes to inputs, target a clearly defined population – the pupils, and outcomes (attendance and learning of these pupils) can be measured. Second, because education in emergencies operates in unstable environments, service providers are often not in control of operational risks such as outbreak of conflict, changing politics, and an unpredictable operating environment. Therefore, more traditional results-based financing instruments may not create the right incentives for improved results as service providers do not have the means to manage these risks.

ECW could and potentially will fill different institutional roles in setting up impact bonds. In line with its core mandate to generate political commitment and establish collaboration for planning and responding to crises, ECW will facilitate the partnerships underlying impact bonds. When it comes to financing, ECW will take on the role of either outcome funder or impact investor:

- Outcome funder: The ECW Fund can serve as a source of finance and pay for the outcomes achieved. Likely, it would co-fund the impact bond as part of a coalition of donors – government donors, foundations, and others.
- Impact investor: ECW can provide upfront financing, which would be useful in situations where this could facilitate additional innovation and risk taking and help generate additional funds. The investor role and taking on the risk of outcome delivery would send a signal potential funders that ECW is taking on accountability for its programs and their implementation.

ECW’s approach to impact bonds will be ambitious but also conscious of the fact that the application of impact bonds to humanitarian setting is new and has not been tried yet for education in emergencies. Given the novelty for education in emergencies, in the short term, ECW hopes to facilitate and fund a few promising deals in order to test the concept. In the longer term, if successful, ECW could establish a funding window for outcome investments and manage a portfolio of impact bonds and related outcome investments.

So far, two interventions and concrete programs emerge as promising pilots:

- A “Cash for Learning Bond” is an impact bond that would go beyond encouraging school attendance and focus on learning. It would finance cash transfers and accompanying supply side interventions to produce vital learning outcomes. It would “wrap” an impact bond around cash transfers and supply side interventions, such as teacher training and continuing education, teacher incentives for improved attendance, improvements to school infrastructure, text books and learning materials, other school supplies and others.
- Crowdsourcing outcome funds from individuals – potentially accompanied by matching grants. ECW would be running a crowdfunding campaign to address barriers to girls’ education in emergencies and finance interventions that allow girls to not only attend school but learn. ECW would provide upfront funding to finance the intervention. Later, after an independent evaluator confirms results, ECW would receive funds from the campaign, if promised outcomes are achieved. Individuals would only pay, if outcomes are achieved. Paying for outcomes gives individual donors assurance that their money has impact. The outcome funding campaign would bring in new funding, additional to current philanthropic giving as it targets “aid industry skeptics” who believe in the importance of educating girls in emergencies but at the same time doubt that aid organizations are effective in enabling girls to learn.

3.3 Increasing concessionality and access to MDB funding.

Concessional finance can contribute to education outcomes in in Middle Income Countries (MICs) stricken by refugee influx, natural disaster, or sub-national conflict.

ECW will work with and through the International Finance Facility for Education (IFFEd) and Multilateral Development banks (MDBs) to increase access to concessional finance for EiE. IFFEd is a newly envisioned financing mechanism for education in Lower Middle Income Countries (LMICs) that will provide more concessional financing through Multilateral Development Banks (MDBs). It will respond to two financing constraints faced by LMICs: limited supply of non-concessional finance by MDBs; and high terms of borrowing – unattractive for financing social sectors offered by non-concessional arms of MDBs as well as private capital markets.

ECW will collaborate closely with IFFEd when LMICs experience emergencies such as natural disasters, influx of refugees, or subnational crises. First, ECW would provide funding in the near term to address immediate and medium-term education needs in emergencies and protracted crisis. Second, in the medium term, collaboration could involve the following: (i) ECW through its multiyear funding would tie its grants to IFFEd/MDB funding which in turn could leverage MDB lending for education in emergencies and protracted crisis and, (ii) ECW would help mobilize the UN and multilateral humanitarian and development system and other actors and support coordination of the humanitarian-development response to facilitate IFFEd/MDB-financed interventions on the ground. This will enable a coordinated and comprehensive approach that supports the national education system in managing the crisis and transition to recovery and reconstruction. Third, in the long term, IFFEd could build on the joint programs built in the medium-term, in collaboration with GPE, to provide long-term funding to sustainably address reconstruction and development of the education sector in crisis-affected countries.

3.4 Unpredictable and volatile funding needs for first response:

Unpredictability and high volatility of annual funding needs pose a severe financing challenge for ECW. Addressing funding need peaks requires prearranging funding that is three times larger than the annual average. EiE requires prearranged, quick access to capital.

Currently, the standard financing arrangement for first response is to hold emergency funds in trust. While necessary for being able to respond quickly to prioritize education in emergency response, this financing modality is neither optimal nor the most efficient, for several reasons: First, managing cash flows is a challenge. Second, donors can be reluctant to provide additional funding when unused fund balances are held in reserve. Third, funds held in reserve can be utilized and have an impact somewhere else. And fourth, availability of funding can be critically low at the end of the year or the replenishment cycle.

ECW explores developing intelligent financing strategies to respond to events that cannot be planned for ahead of time through contingent finance, parametric insurance, access to capital and risk transfer to the markets.

Currently, several organizations explore parametric insurance contracts to have access to finance in case of an emergency and transfer the financing risk to the market. The challenge with parametric insurance are high costs, often a multiple of the funding that will be available to respond to crisis.

An alternative, considered by ECW, are arrangements of revolving accounts and line of credits, guaranteed by donor commitments, which could make funds available in case of an emergency. These could be set up at much smaller costs.

ANNEX: Mapping of Innovative Financing Instruments for Education in Emergencies and Protracted Crises

Instrument/ Mechanisms	Relevance for EiE	Track Record	Technical Feasibility	Political Feasibility	Recommendation
1. Resource Mobilization					
Voluntary tax or solidarity levy. One or more countries establish a tax with its proceeds earmarked for funding EiE. Over the last two decades, many different voluntary taxes were proposed, including taxes on arms trade, aviation, carbon emissions, currency trades as well as a digital solidarity levies.	A voluntary tax would likely generate significant amounts of sustainable, dedicated funding.	France implemented a Solidarity Tax on Airplane Tickets, also known as the Chirac Tax, in 2005 and Cameroon, Chile, Congo, Madagascar, Mali, Mauritius, Niger and Korea joined the effort. The tax is a surcharge on the civil aviation tax and finances global health through Unitaid. The tax raises some US$100 million per year.	High. In essence, voluntary taxes are national taxes with their revenues being dedicated to an international cause. Most governments have plenty of experience in establishing taxes. Costs of raising taxes are low compared to other methods.	Establishing a new tax would require strong political leadership. It remains to be seen if countries show any appetite to establish a new tax in support of EiE.	Further explore political leadership and momentum.
Solidarity Cities for Education - voluntary tax on hotels: An additional tax would be levied on hotel accommodation. Revenues would be dedicated to EiE. As accommodation taxes are local taxes in most countries, it would be up to cities to establish the tax. The tax could be linked to supporting involuntary travelers or to education (cities with an education focus.)	A voluntary tax on accommodation can provide significant amounts of sustainable, dedicated funding.	See solidarity levy on airline tickets	High. The proposed tax would be levied at the local/city level as in most countries cities have the authority and experience with taxing for hotel accommodation.	Unclear. Potential support needs to be tested with local officials and maybe hotel lobby organizations.	Could be further explored. As an alternative, it should be explored if a voluntary micro-contribution on hotel stays could be implemented (see below).
Global Tax: Tax based on an international binding agreement that obliges all signatories to establish the tax. (Part of) revenues would be earmarked for EiE.	A global tax likely would provide huge amounts of sustainable and dedicated funding to EiE.	None. There are recurrent efforts to establish a financial transactions tax.	Would require an international binding agreement.	Low. Currently, there is little appetite to establish such as tax by a sufficiently large group of countries	Not realistic at this point.
Development Waqf (plural Awqaf): Development endowment in Islamic finance, which typically invests in profit generating and sustainable social projects (youth entrepreneurship, agriculture, renewable energy, clear water, electricity, transportation). Part of project returns are dedicated to finance social services (education, health, affordable housing, etc.)	Part of the return can be used to ensure continuous resource flows to EiE priorities depending on the decision of the board of shareholders (Waqifeen)	A special division and fund dedicated to the development of Awqaf is in place in the Islamic Development Bank and the Islamic Solidarity Fund of 2.7 billion USD financed by member states.	High. Broad experience in establishing Awqaf. Requires to negotiate with the Awqaf management to ensure the flow of financing to global and in-country investments.	High – considering the element of solidarity among the financing member states of the Organisation of Islamic Cooperation (OIC) and recipient member countries in crisis.	Initiate dialogue with the Islamic Development Bank and private development and investment Awqaf in the Gulf, mainly Bab Khair, Al Rajihi and others. ECW to link with IsDB and advocate to make EiE as one of the high priorities for Awqaf.

Instrument/ Mechanisms	Relevance for EiE	Track Record	Technical Feasibility	Political Feasibility	Recommendation
1. Resource Mobilization					
Zakat: Mandatory alms-giving in Islamic finance. It is a mandatory charitable contribution, the right of the poor to find relief from the rich and is considered to be a tax, or obligatory alms.	Zakat could co-finance education interventions in local communities.	Under specific conditions, Zakat can be used to finance the education of vulnerable and poor communities. Refugees and underserved hosts communities can fall in this category.	Partnership with Zakat houses and institutions in wealthier countries to establish agreements to ensure alignment of how funds are spent with the special conditions of Zakat in terms of targeting and financial management.	Feasible if ECW is seen as a trusted partner for managing the financing and targeting in a sharia compliant fashion	Start exploring partnerships with Kuwait, United Arab Emirates (UAE), and Qatar Zakat houses and institutions.
Micro-contributions Voluntary co-payments when purchasing goods or services. The contribution is collected at point of sales.	Could raise modest amounts of flexible grant funding.	Similar concepts have been explored and used in retail fundraising. Micropayments on airline and rail tickets and mobile phone charges were proposed to finance health.	Technically feasible. Would require a strong brand and a significant marketing budget.	Micro-contributions are coming from private individuals and do not require government/ official support. If not associated with reputational risks, they are uncontroversial.	Could be explored as an alternative to a voluntary tax on accommodations.
Global lottery: Lottery that would direct its proceeds to EiE in part or in full. Two versions were proposed: (i) an international agency would organize a new international lottery; or (ii) national lotteries would provide a share of their proceeds.	Potential to raise large amounts of sustainable, dedicated funding. Concerns have been raised because lotteries can be viewed as a regressive tax on the poor.	Plenty of experience with national lotteries. These are an important source of income for national charities.	Option of an international agency organizing an international lottery might be difficult/not feasible as lotteries are in most countries highly regulated or state-owned. The option of voluntary contributions of national lotteries should be feasible as many of them already support international causes.	Likely to require strong political leadership as lotteries are regulated. A global lottery may create tension with local charities as lotteries are an important source of funding for them.	Medium priority. The idea has been around for a long time but has not gained traction.
Global premium bond (or lottery bond). Retail debt instrument that does not disburse interest, but uses interest proceeds for a lottery. Owners of the bond would take part in the lottery and winners would receive payments. Revenues, in full or in part, would be dedicated to EiE.	Potential to raise large amounts of sustainable, dedicated funding.	At the national level, so-called prize-linked savings accounts exist in several countries: Argentina, Brazil, Colombia, Germany, Indonesia, Iran, Japan, Mexico, Oman, Pakistan, Spain, South Africa, Sri Lanka, Turkey, UAE and Venezuela. In the US, legal in Michigan, Nebraska, North Carolina, and Washington	To be explored, given both savings products and lotteries are highly regulated.	Likely will require political backing as savings products and lotteries are highly regulated. A global premium bond may create tension with local charities as lotteries are an important source of funding for them.	Medium priority. The idea has been around for a long time but has not gained traction.
Affinity programs and blended value products Retail fundraising strategies such as branded affinity credit cards or branded products. A share of sales profits would go to EiE.	Could raise modest amounts of grant funding.	There is a lot of experience in this area. For example, Product(RED) co-brands with consumer products and has raised significant funds for the Global Fund.	Feasible, but requires a strong brand name and significant investments in retail fundraising, client management, branding & marketing and capacity.	Micro-contributions are coming from private individuals and do not require government/official support. If not associated	Based on current Secretariat capacity and focus, not realistic.

Instrument/ Mechanisms	Relevance for EiE	Track Record	Technical Feasibility	Political Feasibility	Recommendation
1. Resource Mobilization					
				with reputational risks, they are uncontroversial.	
Remittances for education: Remittances are one of the most important flows of funding to many developing countries, but are hard to capture for a dedicated cause. One option would be to provide opportunities (technical solution and supply of services) to pay for education through vouchers. Co-payments could provide additional incentives.	Could earmark remittances for education.	There is no experience with earmarking them for education.	Likely feasible as there are new and affordable technology solutions for dedicated micro-cash transfers. Not clear if providers of remittances would be interested in such a scheme.	Likely high as this would ensure good use and investment of remittances.	As this is new territory and there is no experience, would require some first exploration and a serious and lengthy due diligence process. Rather a long shot project.
Frontloading and an International Finance Facility (IFF). Issues bonds on the capital markets and raises funds for EiE. Long-term aid commitments would back the bond issuances and later pay back funds to bond holders.	Would frontload significant amounts of resources. Frontloading is most appropriate for investments and less so for recurring costs.	Pilot implementation: Innovative Finance facility for Immunisation (IFFIm)	Proven and feasible. However, there might be issues around accounting treatment of donor commitments on their balance sheets.	The is little political appetite for frontloading aid	Not a priority
Guarantees for MDB Loans. Development partner guarantees on MDB loans MDB exposure limits/headroom constraints.	Could enable and incentivize MICs to borrow from MDBs for education in emergencies.	$1bn IBRD DPF for Iraq benefited from a US$372mn guarantee from the UK and a US$72mn donors/ development partners.	Feasible and first pilots have been implemented. May require standardization to get to scale.	Political support from donors expected as leverages MDB money for EIE. Mixed picture from the perspective of MDBs: Guarantees allow to expand lending; but possible resistance as circumvents established MDB resource allocation procedures.	IFFEd will incorporates elements of this type of guarantee to create space for MDB lending for education for MICs. ECW to closely collaborate with IFFEd

Instrument/ Mechanisms	Relevance for EiE	Track Record	Technical Feasibility	Political Feasibility	Recommendation
2. Rapid response: Prearranged grant funding including risk financing to respond to emergencies and crises					
Line of Grants through a bank: ECW Fund would arrange a line of credit with a bank, which would be backed by irrevocable long-term donor commitments or long-term guarantees. Triggered by an emergency, ECW Fund would take a loan to pay for first response interventions. Donors would repay the loans over time, effectively turning loans into grants.	Both, Line of Grants and Flexible Grant Facility would provide prearranged capital tailored to the unpredictable emergency financing needs of first response interventions. Capital could be raised fast and at the amount needed. At the same time, both would help donors plan emergency budgets in the long run and required cash flows would be predictable over time.	No past track record but all elements of this instrument have been well tested: Irrevocable long-term donor commitments were deployed in past financing mechanisms, including the Innovative Finance Facility for Immunisation (IFFIm) and the pneumococcal Advanced Markets Commitment (AMC). Lines of credit are a standard product any bank offers to clients with good credit.	High. Brings together financing instruments that are common standard and have been tested in the past. There might be issues around accounting treatment of donor commitments. A Facility could make use of and be part of a forthcoming IFFEd financing structure.	To be tested. The main impediment may come from donors' willingness to provide irrevocable long-term aid commitments.	High priority. A Line of Grants would help respond quickly to an emerging crisis. It would provide prearranged financing at a reasonable cost of capital. (A Flexible Grant Facility would be the best alternative. Complexity of the Facility model would be higher.)
Flexible Grant Facility: Triggered by an emergency, the Facility would issue bonds and raise capital from the markets. The Facility would be backed by irrevocable long-term commitments from donors or long-term guarantees. Donors would provide funding to the facility and repay investors over time.		Indirect experience as a Flexible Grant Facility is a variation of IFFIm, tailored to emergency financing needs. IFFIm frontloads funding. The Facility would raise funds whenever needed and tailor cashflows to unpredictable emergency financing requirements.	Medium. Technical feasibility proven by IFFIm. There might be issues around accounting treatment of commitments. Also, scale of Facility might be too small for associated management costs.	To be tested. The main impediment may come from donors' willingness to provide long-term commitments. Linking the Facility to IFFEd could lead to synergies.	A Flexible Grant Facility, similar to a Line of Grants, would help respond quickly to an emerging crisis. It would provide prearranged flexible financing at a reasonable cost of capital.
Callable Commitments: Donors would commit to provide funding up to an agreed ceiling in case a predefined emergency event happens. The event would trigger the release of funding within a few days without any additional requirements or formalities.	Similar to Line of Grants and Flexible Grant Facility, would provide prearranged capital tailored to unpredictable financing needs of first response interventions.	No track record in an emergency setting. Typically, multilateral development banks partially rely on callable capital in addition to capital paid in by shareholders. However, at least in case of the World Bank, callable capital never has been called.	Medium. There is experience with callable capital but not in an emergency setting. It remains unclear how fast donors could provide funding and how the agreement could be structured so that funding becomes available without additional formalities.	To be tested.	Likely second best to Line of Grants and Flexible Grant Facility as it is expected that these could raise funds faster and more predictably. Also, donors would benefit from the more predictable cash flow requirements of these.
Contingent Loans (i.e. World Bank Catastrophe Deferred Drawdown Option, or Cat DDO): Contingent credit line that provides immediate liquidity after a natural disaster or other emergency.	Would provide prearranged financing for first response interventions	The World Bank has provided a large number of DDOs and CAT DDOs to IBRD countries.	Feasible. Requires a development bank to establish a contingent line of credit.	Uncontroversial and has proven to be a useful risk management instrument for natural disasters. There might be issues around earmarking funds to education.	As contingent lines of credit require engaging a development bank with a balance sheet, they are only relevant for MICs, and there might be resistance to earmarking. Not first priority for ECW.

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2. Rapid response: Prearranged grant funding including risk financing to respond to emergencies and crises					
Parametric insurance (cat bonds, insurance, swaps, etc.): Ex ante agreement to make a payment upon the occurrence of a triggering event such as a natural disaster, pandemic, or conflict. Payments are related to a parameter or an index of parameters such as temperature, rainfall, number of deaths, refugees etc. Parametric insurance provides funding fast and transfers insured risks to the insurance markets.	Would provide prearranged financing for first response interventions and would transfer catastrophic risks to the insurance markets.	There is extensive experience with cat insurance for natural disaster and weather risk (cat bonds, insurance, swaps, etc.). A pilot for pandemic insurance is underway under the World Bank Pandemic Emergency Financing Facility. Also, some insurers underwrite war and terrorism policies.	Depends on the insured event. Feasible for natural disaster- and weather-related risks such as droughts. To be explored for conflict and violence, refugees, etc. However, it is expected that insurance premiums would be prohibitively high and not cost effective compared to the ability of the international community to self-insure.	One the one hand, insurance solutions are high on the list of donor priorities. On the other hand, when it comes to implementation and finding funds to pay for premiums, insurance seems to be a hard sell.	Given the expected high costs of insurance for taking on risks, not priority.

Instrument/ Mechanisms	Relevance for EiE	Track Record	Technical Feasibility	Political Feasibility	Recommendation
3. Increasing concessionality (Middle Income Countries, i.e. for handling refugee crisis, subnational conflict, or disaster response					
Co-financing; blending of loans and grants: Tailors concessionality of a financing arrangement to the needs of a recipient. Would provide a loan (i.e. from a development bank) alongside an ECW grant.	Leverages funds from development banks and provides incentives to borrowers to invest in education. Rationale: help support interventions that have global or regional public good character and/or that have positive externalities on neighboring countries such as caring for refugee populations or stabilizing a region. Applicable to MICs with access to concessional finance only.	Longstanding track record of successful implementations both at the facility/fund and project level. Recent examples: The World Bank Global Concessional Finance Facility (GCFF) provides funding to countries with large refugee populations; World Bank Global Finance Facility (GFF) for RMNCAH provides grant funding alongside IDA/IBRD credits/loans.	High. However, vlending requires sufficient coherence of implementation modalities of loans and grants. Unlike buy-downs, blending of loans and grants does not lend itself to linking financing directly to results as grants are provided at the same time as loans.	Very high. Bilateral and multilateral donor agencies have experience with blending and actively support or at least allow for blending arrangements.	As this mechanism is at the core of IFFEd, ECW should work through/closely collaborate with IFFEd. Restricted to countries that have access to loans from development banks.
Buy-downs: Buy-downs increase the concessionality of loans. They use grant money to pay for principal and/or interest of loans in part or in full. Buy-downs lend themselves to being linked to results. Then, donor and borrower agree upfront that the buy-down will be triggered once results have been achieved.		Longstanding track record of successful implementations both at the trust fund and project level. Most experience was with the health sector. DFID financed a US$34.5 million buy-down of a US$100 million IBRD loan for China for education 2004-2009.	High. There is plenty of experience. Buy-downs are relatively easy to structure. There are concerns about capital efficiency as donors have to provide/guarantee funding upfront Buy-downs can link funding to results as loans are bought down over time.	High. A number of donors (DFID, European Commission, Australia, Gates Foundation, Rotary International, UN Foundation) and MDBs (IBRD/IDA, IsDB, ADF) have implemented buy-downs. The US does not support interest subsidies of MDB loans and therefore will likely not engage in buy-downs	Good opportunity that should be explored further in particular when linked to results. Restricted to countries that have access to (concessional) loans from development banks.

Instrument/ Mechanisms	Relevance for EiE	Track Record	Technical Feasibility	Political Feasibility	Recommendation
4. Changing Modalities and Engaging Actors on the Ground: Outcome funding and transfers of operational risk to achieve results					
Development Impact Bonds: Impact investors provide funds for interventions to achieve agreed, measurable results. If and only if interventions succeed, outcome funders (donors, foundations) make payments to investors.	Transfers delivery risk to impact investors. This makes DIBs particularly useful under circumstances were delivery risks are not under the control of implementers, which can often be the case in fragile and conflicted-affected environments. Also, DIBs can bring the rigidity of private sector interventions to humanitarian finance as they require concise and objective outcome data trusted by investors.	Overall, an estimated US$200 million have been invested in impact bonds in high income countries to date. There is a limited track record in developing countries except one DIB for educating girls in Rajasthan and a few others under development in Latin America. ICRC announced a Humanitarian Impact Bond for providing prosthetic devices. The World Bank is developing a DIB on skills development for employment in Palestine.	DIBs are technically feasible though implementation is complex. Education in emergencies lends itself to DIBs and likely provides a number of investable interventions. Examples could be financing charter schools and free education implemented by private non- or for profit entities or education to refugees. Technical complexity stems from the high number of actors involved, lack of data, and difficulty in measuring results.	DIBs have generated a lot of interest with traditional donors and foundations. Also, there seems to be sufficient demand from impact investors. The novelty of the concept likely will lead to a lengthy preparation period.	Excellent opportunity to explore. EiE is likely one of the best test cases for the DIB concept both in terms of sector, type of interventions, potential buy-in from impact investors and outcome funders, as well as country circumstances.
Results-based or Outcome Financing: Donors/ECW provides funding to recipients (could be governments, UN agencies, non-profit or for profit service providers depending on the intervention) after/for certain measurable outcomes that were achieved. Implementers will take on the delivery risk.	Transfers delivery risk to implementers. Results-based financing can be a useful instrument when linking payments to outcomes creates additional incentives for implementers to achieve results. It has been effective in fragile contexts and protracted crisis as decision making and accountability is delegated to the very local level. This can help to react to changing circumstances fast.	Many development and humanitarian agencies have experience with results-based or outcome financing models, including the World Bank through its Program for Results (PforR) instrument; USAID with Fixed Amount Reimbursement Agreements (FARA), DFID results-based financing.	Technically feasible. Requires, among other inputs, strong M&E frameworks, good data, interventions with a clear link between inputs and outcomes. Also, requires experience/capacity of grant makers and implementers.	High. Most if not all ECW stakeholders endorse the concept in principle. That said, results-based financing has some features funders feel uncomfortable with such as defining fair payment levels upfront and more hands-off procurement rules that come with results-based financing.	Good opportunity to explore. EiE is a good use case as the theory of change between education interventions and outcomes is relatively well established, outcomes can be measured, and operating in fragile contexts often requires transferring decision making and accountability to the very local level.

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4. Changing Modalities and Engaging Actors on the Ground: Outcome funding and transfers of operational risk to achieve results					
Conditional Cash Transfers (CCT): Families whose children regularly attend school receive a periodic cash transfer.	Cash transfer programs have proven to be effective to achieve social outcomes in various contexts, ranging from conflict context to Low Income Countries (LICs), to MICs and various sectors, including education. Could be set up in protracted crisis situations and in a refugee contexts.	There are many examples of CCTs for education, fragility and conflict, and refugee situations, for example: Turkey CCT for EIE in 2017 to support refugee families (EU). Yemen, basic education support for girls CCT in 2014. Chad CCT in refugee camps and household resilience programs (CARE International). Nigeria Kano CCT for Girls' Education in 2014. Senegal CCT for educational support for vulnerable children in 2010.	There is plenty of experience with establishing CCTs. Many past and ongoing CCTs were evaluated and lessons learnt exist. In a post conflict and post natural disaster context CCTs were especially effective when already in place before the disaster struck so that they could be scaled up in a short time. May need additional operational capacity on ECW team.	As there is plenty of evidence of effectiveness and wide support at the international level. Country/local level support must be tested on a case by case basis.	Opportunities should be explored. However, implementation may be more complex/less of a fit with ECW capabilities than other options discussed.