



USAID
FROM THE AMERICAN PEOPLE

OFFICE OF EDUCATION



EDUCATION FINANCE HOW-TO NOTE

How-To Notes provide additional design and implementation suggestions not covered in existing USAID Policy documents related to sub-areas of the Education Strategy.

Version: August 2019

This How-To Note was produced for review by the United States Agency for International Development (USAID). The contents are the responsibility of Training Resources Group, Inc. (TRG) and do not necessarily reflect the views of USAID or the United States Government.

Suggested citation: Hurley, Caitlin, Cynthia Chassy, and Suezan Lee, *Education Finance How-To Note*, United States Agency for International Development, Bureau for Economic Growth, Education, and the Environment, Office of Education, 2019.

Table of Contents

KEY TAKEAWAYS	1
1. INTRODUCTION	2
2. PURPOSE, STRUCTURE, AND USE	3
3. DEFINITIONS AND APPROACH TO EDUCATION FINANCE	4
FIGURE 1. THE TWIN-TRACK APPROACH FOR EDUCATION FINANCE	6
4. THE CASE FOR WORKING ON EDUCATION FINANCE	6
5. USAID FRAMEWORK FOR ENGAGEMENT IN EDUCATION FINANCE	9
6. INTEGRATING EDUCATION FINANCE INTO THE PROGRAM CYCLE	15
TABLE 1. COUNTRY/REGIONAL STRATEGIC PLANNING	16
TABLE 2. PROJECT DESIGN AND IMPLEMENTATION	20
TABLE 3. ACTIVITY DESIGN AND IMPLEMENTATION	22
TABLE 4. MONITORING AND EVALUATION	30
7. RESOURCES	32
TABLE 5. EDUCATION FINANCE RESOURCES	32
ANNEX A. EDUCATION FINANCE APPROACHES	34
ANNEX B. GLOSSARY OF TERMS	38

KEY TAKEAWAYS

- Finance is a critical input to a country’s education system, and partner country education systems are strained under the pressure of scarce financial resources, demographic changes, and growing enrollments, and these pressures will only grow with time. The Education Commission estimates that low- and middle-income countries will require \$3 trillion in annual education spending by 2030—a gap of \$1.8 trillion from current spending.¹
- The main purpose of USAID’s work in education finance is to help increase the quantity of financial resources for education, while also strengthening the effectiveness, equity, and impact of these resources. Additional financial resources and more effective use² of these resources are critical to “ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.”
- USAID’s interest in education finance is focused on sustainability. As the Education Policy’s guiding principles express, USAID is committed to supporting the sustainability of local systems—both public and private—to enable them to provide education in the present and in the future. USAID’s work in education finance also aligns with several Agency-wide priorities, including the Journey to Self-Reliance (JSR) and the Private-Sector Engagement Policy.
- Working on education finance will help increase partner countries’ ability to sustainably finance and deliver services that improve learning and employment outcomes.

¹International Commission on Financing Global Education Opportunity, *The Learning Generation: Investing in education for a changing world*. (2016), http://report.educationcommission.org/wp-content/uploads/2016/09/Learning_Generation_Full_Report.pdf.

² Samer Al-Samarrai et al., *Mobilizing Resources for Education and Improving Spending Effectiveness: Establishing Realistic Benchmarks Based on Past Trends*. (Washington, D.C.: World Bank Group, 2019), Policy Research working paper; no. WPS 8773, <http://documents.worldbank.org/curated/en/244151552329948414/Mobilizing-Resources-for-Education-and-Improving-Spending-Effectiveness-Establishing-Realistic-Benchmarks-Based-on-Past-Trends>.

I. INTRODUCTION

Our vision is a world where partner country education systems enable all children and youth to acquire the education and skills needed to be productive members of society. Education is the great equalizer. When children and youth go to school and receive training in skills they can use in the workforce and to navigate life, they are able to build more hopeful and prosperous futures for themselves, their families, communities, and countries as a whole.

[USAID Education Policy, November 2018](#)

Education is transformational for individuals and societies; it creates pathways to better health, economic growth, a sustainable environment, and peaceful, democratic societies. USAID works around the world to encourage and support partner country governments to provide equitable access to inclusive, quality education for all.

Finance is a critical input to a country's education system, and this How-To Note focuses on how to sustainably build and finance quality education. Partner country education systems are strained under the pressure of scarce financial resources, demographic changes, and growing enrollments, and these pressures will only grow with time. The Education Commission estimates that low- and middle-income countries will require \$3 trillion in annual education spending by 2030—a gap of \$1.8 trillion from current spending.³ Additional financial resources and more effective use⁴ of these resources are critical to “ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.”⁵ Within this context, governments, donors, NGOs, and scholars are thinking critically about education finance, and bringing questions about cost-effectiveness, efficiency, and equity into a variety of education-related work, including policy discussions, project and activity design, implementation, and monitoring, evaluation, and learning.

USAID's COMMITMENT TO EDUCATION FINANCE

The ability to sustainably finance and deliver services that improve learning and employment outcomes equitably for all individuals is essential to each country's progress toward self-reliance.

[U.S. Government Strategy on International Basic Education \(Fiscal Years 2019 - 2023\)](#)

The United States Government (USG) has recognized the importance of financial sustainability in international education. Passed by the United States Congress in 2017, the [Reinforcing Education Accountability in Development \(READ\) Act](#) called for the creation of a comprehensive, integrated USG strategy to promote basic education. The resulting [U.S. Government Strategy on International Basic](#)

³ International Commission on Financing Global Education Opportunity, *The Learning Generation: Investing in education for a changing world*.

⁴ Al-Samarrai, *Mobilizing Resources for Education and Improving Spending Effectiveness: Establishing Realistic Benchmarks Based on Past Trends*.

⁵ “Sustainable Development Goal 4,” United Nations, accessed August 5, 2019, <https://www.un.org/sustainabledevelopment/education/>.

Education (Fiscal Years 2019-2023) is a comprehensive, integrated USG strategy to promote basic education, and the USAID Education Policy (November 2018) articulates the Agency’s role in implementing this Strategy. The USAID Education Policy states that the primary purpose of USAID education programming is to “achieve sustained, measurable improvements in learning outcomes and skills development”⁶ [emphasis added]. As we will see in this How-To Note, the Policy’s six guiding principles reinforce the importance of finance. Through strengthening systems, building partnerships, leveraging resources, and prioritizing country focus and ownership, financial sustainability is central to USAID’s commitment.⁷

In accordance with USAID’s Policy Framework: Ending the Need for Foreign Assistance, USAID’s work in education finance also aligns with several Agency-wide priorities, including the Journey to Self-Reliance (JSR) and the Private-Sector Engagement Policy. The Journey to Self-Reliance (JSR) is an approach, which fosters stable, resilient, prosperous, and inclusive countries. USAID also has developed a Financing Self-Reliance (FSR) Framework to strengthen partner countries’ ability to finance their own development. The FSR Framework seeks to align objectives, project design, and financial sustainability. At the same time, USAID’s Private-Sector Engagement Policy is an “Agency-wide call to action, and a mandate to work hand-in-hand with the private sector to design and deliver our development and humanitarian programs across all sectors.”⁸ USAID’s education finance programming is situated within the context of these Agency-wide priorities.

2. PURPOSE, STRUCTURE, AND USE

This How-To Note examines how USAID can increase the quantity of financial resources for education, while also strengthening the effectiveness, equity, and impact of these resources. It was created by USAID’s Office of Education (E3/ED) to assist staff and partners integrate the cross-cutting topic of education finance into our analysis, programming, and evaluation. The information included in this document is designed to be useful in a variety of contexts—from discussing policy with host government counterparts to assessing the sustainability of USAID’s program and partnering with the private sector to mobilize additional financing for education.

This document is a primer and reference guide for staff and partners, rather than an exhaustive overview of education finance. USAID’s work on education finance is focused on sustainability and scale, and the guidance in this How-To Note indicates that questions of sustainability and scale are addressed most effectively when they are addressed and incorporated at each stage of the Program

⁶ United States Agency for International Development (USAID), *USAID Education Policy* (2018), 6 https://www.usaid.gov/sites/default/files/documents/1865/2018_Education_Policy_FINAL_WEB.pdf.

⁷ See Section 5 of this How-To Note for further examples illustrating how USAID education finance work supports the USAID Education Policy principles.

⁸ United States Agency for International Development (USAID), *Private-Sector Engagement Policy* (2018), 4 https://www.usaid.gov/sites/default/files/documents/1865/usaid_psepolicy_final.pdf.

Cycle. Included here are key finance concepts and strategies that will help USAID and partners build sustainability and scale in the education sector, as well as suggestions for further reading.

2.1 STRUCTURE OF THIS HOW-TO NOTE

Section 1 provides an introduction to the document, explaining the importance of financial sustainability in international education and USAID's commitment. **Section 2** explains the purpose and use of this How-To Note. **Section 3** provides key definitions and concepts in education finance. **Section 4** offers evidence outlining the importance of education finance, so staff and partners can understand and clearly communicate the case for greater attention to this topic. It also reflects on the challenges and opportunities in this space, as well as USAID's comparative advantages. **Section 5** introduces USAID's Framework for Engagement in Education Finance to provide sector-wide priorities for the Agency's work in education finance. **Section 6** contains a matrix to guide staff and partners in integrating consideration of education finance at various stages of the USAID Program Cycle. It begins with country strategic planning and then moves into project and activity planning, design, and implementation. The matrix contains guidance to ensure that monitoring, evaluation, and learning are capturing how interventions are performing and compare to global targets and metrics. Links to tools and reference documents are provided to illustrate and operationalize topics being discussed. Finally, **Section 7** contains a list of additional resources, so that readers can dive more deeply into particular topics, such as results-based financing, public-private partnerships, and cost-effectiveness in the education sector.

2.2 USE OF THIS HOW-TO NOTE

This How-To Note offers guidance, recommendations, case studies, and other resources to incorporate global good practice, policies, and research on a variety of education finance topics. The content and references in this How-To Note can have various uses, including as content for trainings, reference material for policy dialogue and talking points, and practical tools to assist in project and activity design.

USAID staff and partners also can call upon Washington-based specialists to provide further expertise and guidance. These staff can assist in identifying relevant evidence and good practices for particular projects or activities, and they can support work at all stages of the Program Cycle. Many of the resources referenced in this document, as well as other education-related guides, tools, and templates, can be accessed through USAID's [EducationLinks](#) website.

3. DEFINITIONS AND APPROACH TO EDUCATION FINANCE

3.1 USAID DEFINITIONS

At USAID, **education finance** is defined as monetary and in-kind resources made available for education from a variety of both public and private actors covering the full student lifecycle, from pre-primary through higher education, and addressing the question of how resources are allocated, used, and accounted for to achieve sustainable, quality education for all children and youth.

There are two essential aspects in education finance—the amount of resources and whether these resources are used effectively to achieve sustainable, quality education for all. Both aspects are equally important in USAID’s view.

Education finance is largely driven by a country’s systems and context, and can include both public and private finance and systems. Most financing for education comes from domestic governments and households, but the proportion of these contributions can vary greatly from one country to another.

Public financing includes the government-budgeted resources for education. Public funds may be domestic, such as partner country budgets that fund education, or they may be international, such as those from donors and multilateral institutions. In most cases, public financing for basic education comes overwhelmingly from partner country governments.⁹

Private financing includes all non-public financing for education. These resources can be domestic or international. While the private sector is frequently thought of as companies, foundations, and investors, private resources for education come overwhelmingly from individual households, including from remittances.

Blended finance is a term used to describe “the use of catalytic capital from public or philanthropic sources to increase private sector investment in developing countries to realize the Sustainable Development Goals (SDGs).”¹⁰ Blended finance has the potential to help scale quality education by mobilizing additional private sector resources. It is a critical piece of USAID’s commitment to working with the private sector. Most instances of blended finance are structured around investable opportunities, such as the [Global Innovation Fund](#).

3.2 THE TWIN-TRACK APPROACH FOR IMPLEMENTING EDUCATION FINANCE

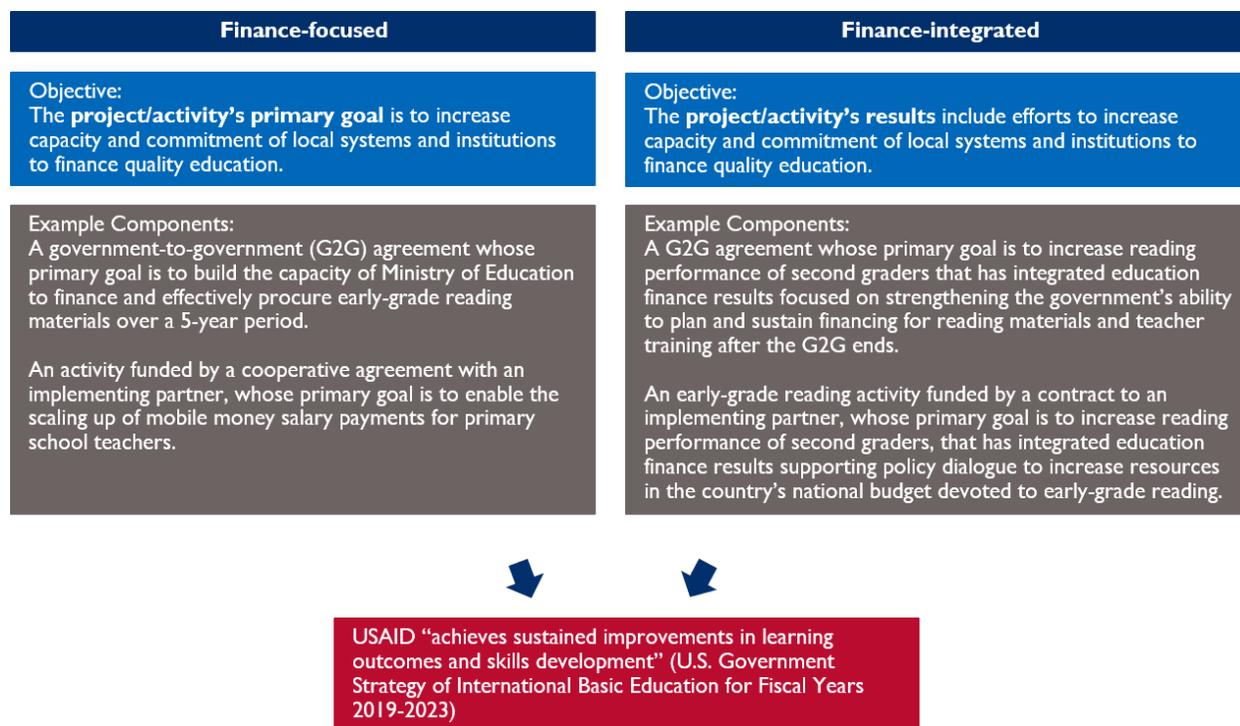
USAID’s interest in education finance is focused on sustainability. As the Education Policy’s guiding principles state, USAID is committed to supporting the sustainability of local systems—both public and private—to enable them to provide education in the present and future. Even if USAID implemented the most effective interventions, without consideration for the cost, scale, and source of financing for these interventions, our work would not be sustainable. There are many ways USAID can strengthen financial sustainability. One approach is to design projects or activities with finance-specific outputs as the primary goal; these are defined as **finance-focused**. Another way is to design education finance approaches that are integrated into larger education goals and objectives of a project or activity; these

⁹ Liesbet Steer and Katie Smith, *Financing Education: Opportunities for Global Action* (The Brookings Institution, 2015), <https://www.brookings.edu/wp-content/uploads/2016/07/FinancingForEducation2015.pdf>.

¹⁰ Convergence Blending Global Finance, *The State of Blended Finance 2018* (2018), https://downloads.ctfassets.net/4cgqlwde6qy0/6KN2rOUXAsceawYYwic86/154577e7f96ed6511ef1048bc79ee978/State_of_Blended_Finance_2018_FINAL.pdf.

are defined as **finance-integrated**. The graphic below illustrates this twin-track approach to programming education finance in the USAID context.

FIGURE I. THE TWIN-TRACK APPROACH FOR EDUCATION FINANCE



Finance-focused and finance-integrated tracks are not an ‘either or’ choice; the approaches can be blended or pursued simultaneously. The tables in Section 6 have examples of USAID projects using these approaches to achieve USAID and partner country education priorities.

4. THE CASE FOR WORKING ON EDUCATION FINANCE

USAID recognizes that partner country governments and donors face complex and daunting challenges, including difficult choices about how to use scarce financial resources. Education systems already are strained, and demographic changes—such as growing youth populations and urbanization—make challenges increasingly urgent and put further pressure on governments, particularly in Sub-Saharan Africa. Even success has created challenges as significant improvements in primary enrollment, despite being a positive trend, has increased demand for education, particularly high-quality secondary and higher education, as well as technical and vocational education and training (TVET).

Section 4.1 describes general trends and data points to highlight the timeliness and importance of education finance, while section 4.2 identifies organizational advantages that enable USAID to work effectively in this area. USAID education staff and partners can use this information to make the case for working in education finance with audiences ranging from USAID mission leadership to host country counterparts and other donors.

4.1 UNDERSTANDING HOW EDUCATION FINANCE SUPPORTS USAID'S WORK

As previously noted, a combination of improved financial efficiency, additional resources, and commitment to equity and inclusion are needed to enable all children and youth to access high-quality education and create high-performing education systems. The bullet points below provide brief background information demonstrating why it is important for USAID education staff and partners to understand how education finance can impact their work, and how this understanding can facilitate their efforts to support education efforts in partner countries.

- **Most financing for education comes from domestic resources.** In low-income countries, international Official Development Assistance (ODA)¹¹ in 2012 represented about 20 percent of public, domestic basic education spending¹²; in lower-middle income countries, it represented just 2 percent.¹³ Although discussions around financing education frequently turn to whether funding is public or private, the question of whether financing is domestic or international is equally important for sustainability. *USAID must consider how best to use its education resources in partner countries to catalyze scale and sustainability.*
- **The question of how resources are allocated, used, and accounted for is critical to sustainability and cost-effectiveness.**¹⁴ Research has shown that spending more on education does not necessarily lead to better learning outcomes.¹⁵ Instead, questions of how and where resources are targeted are equally important. *USAID must approach these questions by looking at the education sector holistically, using a systems lens, particularly looking at governance and incentive structures.*
- **Domestic resources, particularly domestic public finance, are an important source of funding for education**¹⁶. USAID has developed a set of [self-reliance metrics](#) that measure core aspects of commitment and capacity, and when aggregated, overall self-reliance.¹⁷ The metrics are an analytical tool to understand where countries are on their journey to self-

¹¹ Official Development Assistance (ODA) is defined as “government aid that promotes and specifically targets the economic development and welfare of developing countries”. It does not include military aid or aid with primarily commercial objectives. It can be both bilateral and multilateral, and is tracked and monitored by the Organization for Economic Cooperation and Development (OECD). For more information, see <http://www.oecd.org/dac/stats/What-is-ODA.pdf>.

¹² For a list of low-income countries and lower-middle income countries, see the [World Bank's website](#).

¹³ Steer, *Financing Education: Opportunities for Global Action*. Note that education finance figures can vary widely. In sub-Saharan Africa, for example, ODA accounted for 5.6 percent of education resources in 2008 (UNESCO/UIS, “Financing Education in Sub-Saharan Africa: Meeting the Challenges of Expansion, Equity, and Quality.” (2011) p. 44).

¹⁴ “SABER Overview—the What, Why, How of SABER,” World Bank, accessed August 5, 2019, <http://saber.worldbank.org/index.cfm?indx=8&pd=3&sub=0>.

¹⁵ Al-Samarrai, *Mobilizing Resources for Education and Improving Spending Effectiveness: Establishing Realistic Benchmarks Based on Past Trends*.

¹⁶ Steer, *Financing Education: Opportunities for Global Action*.

¹⁷ Indicators will use data already available from well-known, third-party institutions that is publicly available: <https://selfreliance.usaid.gov/>.

reliance, which can help USAID develop better country strategies, engage in policy dialogue, and think about when to consider countries for possible strategic transition conversations. ***USAID must understand how self-reliant each partner country is, where a country's strengths and challenges are, and how to reorient partnerships for sustainability.***¹⁸

- **Private institutions and resources play an increasingly prominent role in education.** Private institutions are introducing new funding partnerships, innovations, and resources, and governments and bilateral and multilateral partners are paying attention. Being aware of these trends can help USAID design and implement more effective programming. ***USAID must engage with appropriate stakeholders to influence these trends and support appropriate resource use and allocation.***
- **The majority of private resources for education come from households.** Government expenditures are a significant portion of education spending, but households can be as well. In some countries, government expenditures account for less than 50 percent of education spending, and households frequently make up a significant portion of the difference. In Nepal, for example, households contribute about 49 percent of total funding for education, while in Uganda, households contribute about 57 percent.¹⁹ After governments, households are frequently the second largest source of education financing.²⁰ ***More research and analysis are needed to better understand household contributions to education finance.***
- **In recent years, remittance flows—funds sent by people living and working abroad to their home countries—have increased.** In 2015, remittances to least developed countries (LDCs) represented about 35 percent of all external financing.²¹ An increasing body of work suggests that remittances pay for significant education costs borne by households.²² ***Country-specific analysis is necessary for designing appropriate and effective education interventions.***

¹⁸ Sustainability refers to the ability of a local system to produce desired outcomes over time. Discrete projects contribute to sustainability when they strengthen the system's ability to produce valued results and its ability to be both resilient and adaptive in the face of changing circumstances.

¹⁹ UNESCO, *Who Pays for What in Education: The Real Costs Revealed Through National Education Accounts* (2016), <https://unesdoc.unesco.org/ark:/48223/pf0000246277>.

²⁰ UNESCO, *Household Education Spending: An Analytical and Comparative Perspective for 15 African Countries* (2012), <https://unesdoc.unesco.org/ark:/48223/pf0000216719>.

²¹ Organisation for Economic Co-operation and Development, "Resource Flows Beyond ODA in DAC Statistics." Accessed August 5, 2019. www.oecd.org/dac/stats/beyond-oda.htm.

²² Liesbet Steer, Julia Gillard, Emily Gustafsson-Wright, and Michael Latham, *Non-state actors in education in developing countries: A framing paper for discussion* (Center for Universal Education at Brookings: 2015); and Steer, *Financing Education: Opportunities for Global Action*.

- **Reaching marginalized and underserved populations, including girls and students with disabilities, requires purposeful, targeted financing.**²³ Government leaders can prioritize inclusion by targeting resources to the most marginalized and underserved communities, especially women, and by mobilizing every sector to address the multitude of factors that determine whether children (particularly girls and students with disabilities) start, stay, and learn in school. *Allocating and using financial resources in a manner that strengthens equality, equity, and inclusion is a key priority of USAID's work in education finance.*

4.2 USAID COMPARATIVE ADVANTAGES

While the challenges described above are significant, USAID has a number of organizational strengths unique among donors and partners that enable a variety of education finance activities, including participating in policy dialogue with partner country governments and stakeholders, partnering with the private sector, catalyzing additional resources, and ensuring resources support sustained, measurable improvements in learning outcomes. These include²⁴:

- A field presence in over 40 countries.
- Long-standing experience working with partner governments in education and other sectors.
- Access to a variety of finance tools (to be discussed in this How-To Note) that can strengthen the sustainability and effectiveness of education programming.
- A history of supporting affordable non-state schools and actors in education.
- A high-level commitment to innovative approaches and tools, such as Development Innovation Ventures and Global Development Alliances.
- A leadership role in international basic education among USG departments and agencies.
- Organizational expertise to address educational equity considerations in areas such as gender, disability, and conflict and crisis-affected environments.

5. USAID FRAMEWORK FOR ENGAGEMENT IN EDUCATION FINANCE

Countries must be able to lead their own development by sustainably financing and delivering services, through both state and non-state providers, that measurably improve learning outcomes and skills for all

²³ United States Agency for International Development (USAID), *How-To Note: Disability Inclusive Education* (2018), https://www.edulinks.org/sites/default/files/media/file/How-ToNote_DisabilityInclusiveEducation_0.pdf.

²⁴ United States Agency for International Development (USAID), *Education Finance Landscape Mapping Review* (2017).

children and youth from early childhood, primary and secondary education to youth workforce development and higher education in both formal and non-formal settings.

[USAID Education Policy, November 2018](#)

The framework below articulates how education finance can support USAID’s vision of “a world in which education systems in our partner countries enable all children and youth to acquire the education and skills needed to be productive members of society.”²⁵ It recommends four key areas for USAID’s engagement in education finance. Each of these key areas is applicable to all levels of education: pre-primary, primary, secondary, post-secondary non-higher education, and higher education.²⁶ Example activities included below are illustrative and should not be considered prescribed activities that fall under each priority area. More detailed information on past USAID examples is included under the matrices in Section 6. USAID staff and implementing partners should use country-contextualized analysis to determine the best way forward.

5.1 FOUR KEY AREAS FOR USAID ENGAGEMENT IN EDUCATION FINANCE

I. Strengthening Domestic Resource Mobilization (DRM) and Public Financial Management (PFM)

While DRM refers to mobilizing financial resources for public expenditure through economic growth and appropriate tax policy and collection, PFM refers to how these resources are budgeted, used, and accounted for by governments. Since DRM addresses tax policy and administration, it is not usually sector-specific. In contrast, PFM focuses on education-sector specific topics, such as budgets, expenditures, and accountability.

DRM is critical public finance for development, and an important priority for USAID’s [Financing Self-Reliance](#) framework. USAID—alongside bilateral and multilateral partners, such as the World Bank and the International Monetary Fund—can play an important and influential role in researching, analyzing, and advocating for appropriate DRM policy frameworks and implementation. For USAID education staff and partners, activities likely will focus on PFM.

Without responsible, transparent, equitable, and effective PFM, no country can hope to meet the education challenges of the 21st century. USAID can seek to strengthen PFM within the education sector by working with partner governments at the national and sub-national levels. Civil society organizations, which hold governments accountable, are also critical; they monitor government budgets

²⁵ USAID, USAID Education Policy, 6.

²⁶ The framework aligns with USAID’s Education Policy principles and priorities and the Journey to Self-Reliance. See page 9 of the [USAID Education Policy](#) for a diagram illustrating the overall Policy and education levels that USAID supports.

and expenditures, and alongside the media, they raise awareness about how public funds are budgeted and used. Illustrative examples of activities that USAID could support include:

- Strengthening financial governance within every level of the education system—ensuring funds move from Ministries of Finance to Ministries of Education, then to sub-national governance units (e.g., district offices) and ultimately, schools.
- Increasing efficiency and transparency in public education expenditures.
- Working with Mission staff from a variety of sectors as well as multilateral partners for increased DRM, where appropriate and supported by country-contextualized analysis.
- Working with partners in government (e.g., Parliamentary committees with oversight responsibility for education) and civil society organizations to ensure the policy framework for education is funded.
- Assisting governments to analyze and incorporate context-specific conditions (e.g., gender equality, equity, inclusion, and conflict and crisis) in policies, budgets, and expenditures for education.
- Increasing governments' capacity to effectively manage cost-sharing with households and the private sector.

2. Enabling Environments for Non-State Schools and Actors

A lack of financial resources and capacity make it difficult for governments to deliver comprehensive, free public education. Yet, enrollments are growing in the non-state school sector. In some contexts, non-state schools and non-formal education have facilitated greater gender parity and created pathways to secondary and higher education. Further, non-state schools have provided education in conflict and crisis environments and education for children with disabilities where they fill a gap in public provision. Non-state actors include a variety of additional entities; examples include financial institutions lending to students; companies developing and supplying learning materials to public and non-state schools (including materials in accessible, alternative formats); and non-profit organizations providing critical ancillary services (e.g., screening for students with disabilities). Non-state actors play a critical role in the education ecosystem and can be effective partners in finding system-level reforms and solutions. Illustrative examples of activities that USAID could support include:

- Improving the policy, legal, and regulatory environment in which non-state schools and actors operate.
- Building government capacity to manage the sector and hold non-state schools accountable, and increasing the capacity of civil society-, community-, and parent-based organizations to hold non-state schools accountable.
- Working directly with non-state schools and actors to promote gender equality and equity.
- Supporting a functioning market enabling effective non-state schools and actors to access affordable finance and distinguish themselves from lower-performing counterparts.
- Supporting high-quality, affordable non-state schools with technical assistance and training to ensure that they deliver quality education.

- Supporting research on non-state schools and evaluating the effectiveness of various delivery approaches and interventions in terms of learning, affordability, inclusion, and sustainability.

3. Financing for Education in Conflict and Crisis-Affected Areas

Educating children and youth who are facing adversity, conflict, and crisis, particularly girls and those who are displaced, is a key priority in the USAID Education Policy. Conflict situations are complex and diverse, each requiring localized and contextualized education solutions. Additional financing is needed to ensure that children and youth living through conflict and crisis have access to quality education. Illustrative examples of activities that USAID could support include:

- Working with governments and partners to mobilize additional financing for education in conflict and crisis-affected areas.
- Strengthening partner governments' ability to adapt and respond to rapidly changing education system challenges generated by conflict and crisis.
- Working with governments to ensure the provision of education is safe and free of violence.
- Strengthening partner governments' ability to analyze and address gender equality, equity, and inclusion when providing resources for education in conflict and crisis-affected areas.
- Supporting non-state schools and private markets in conflict and crisis-affected areas, so that communities, faith-based organizations, and small businesses can fill temporary shortfalls in the supply of education.

4. Financing for Higher Education and Youth Workforce Development

Ensuring that youth gain the skills they need to lead productive lives, gain employment, and positively contribute to society is a USAID Education Policy priority. While overall global enrollments for higher education²⁷ have increased in the last two decades, the rate of increase in developing countries will not allow them to catch up to developed nations in the foreseeable future.²⁸ Turning to youth employment opportunities, working age youth are three times more likely than adults to be unemployed or underemployed, rates that are significantly higher in developing countries than the global average.²⁹ Inequities persist in workforce training opportunities and labor force participation; for example, women

²⁷ From the [USAID Education Policy](#) (pg. 45): A higher education institution is an organization that provides educational opportunities that build on secondary education, providing learning activities in specialized fields. It aims at learning at a high level of complexity and specialization. Higher/tertiary education includes what is commonly understood as academic education but also includes advanced vocational or professional education. This may include public or private universities, colleges, community colleges, academically affiliated research institutes, and training institutes, including teacher training institutes.

²⁸ Sonia Ilie et al., "Is Equal Access to Higher Education in South Asia and Sub-Saharan Africa Achievable by 2030?" *Higher Education* 72, no. 4 (2016): 435-455, <https://link.springer.com/article/10.1007/s10734-016-0039-3>. This provides an analysis of the challenges developing countries face to achieve the goal of equal access to higher education for all.

²⁹ ILO, *Global Employment Trends for Youth 2017: Paths to a Better Working Future* (2017), www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_598669.pdf.

continue to participate in labor markets on an unequal basis with men.³⁰ Illustrative examples of activities that USAID could support include:

- Partnering with host governments and the private sector to strengthen the governance, quality, and finance of higher education.
- Addressing issues of gender equality, equity, and inclusion through scholarships.
- Strengthening partnerships and collaboration with the private sector to ensure education and/or training is relevant and opens equitable pathways to youth employment, particularly in the area of technical and vocational education and training.

5.2 EDUCATION FINANCE ALIGNMENT WITH THE USAID EDUCATION POLICY PRINCIPLES

USAID's focus on education finance aligns with the USAID Education Policy's six principles in the following ways:

1. Prioritize Country-Focus and Ownership

Country focus starts with understanding education and related systems, as well as a country's education priorities and outcomes and its commitment to education and capacity to deliver. USAID might support this through a country-level political economy analysis of the education sector, as well as an analysis of governments' budgets, public expenditures, and service delivery and a list of activities to map the array of stakeholders in education finance.

2. Focus and Concentrate Investments on Measurably and Sustainably Improving Learning and Educational Outcomes

Information about the cost of achieving results is also critical. USAID can enhance its internal capacity to effectively analyze, design, assess, and adapt education projects to meet cost-effectiveness and sustainability criteria. USAID developed [Cost Reporting Guidance for USAID-Funded Education Projects](#) (2018) as a tool to improve tracking the cost of USAID's activities and interventions. It is meant to help USAID increase transparency around its education expenditures, address cost-efficiency and sustainability in program design, and set and manage expectations with partners. This information on cost also can contribute to the evidence base on financing equitable and inclusive national education systems.

³⁰ In 2013, the male employment-to-population ratio stood at 72.2 per cent, while the ratio for females was 47.1 per cent. See <http://www.unwomen.org/en/what-we-do/economic-empowerment/facts-and-figures>.

3. Strengthen Systems and Develop Capacity in Local Institutions

USAID can seek to strengthen the capacity of local systems around education finance-focused objectives, including: mobilizing resources for education, using resources effectively and sustainably, ensuring resources reach schools and students, considering equity and inclusion in resource allocation and use, and addressing challenges such as conflict and crisis situations as they arise. USAID can partner with formal, public systems and non-formal, private systems, so that stakeholders throughout the education system have the tools, institutions, and resources they need.

4. Work in Partnership and Leverage Resources

Examples of education finance programming that USAID can undertake to support this principle include: harmonizing funding for education so that stakeholders are using their resources in the most effective, appropriate, and sustainable way; mobilizing additional financing from donors, domestic governments, and the private sector; better leveraging and coordinating existing financial resources; and working with partner governments to test and rigorously evaluate education finance innovations and encourage local leadership and ownership. USAID may also seek to pilot innovations in financing, such as [results-based funding or conditional cash transfers](#).

5. Drive Decision-Making and Investments Using Evidence and Data

Key questions—such as how much financing reaches schools and students, and how schools are managed and governed—are critical to financing equitable and inclusive national education systems. USAID will seek to accelerate and advance knowledge and evidence, particularly around the four priority areas in the USAID Education Policy. USAID and partner governments need data and evidence to make informed decisions about how to invest limited resources and how to sustain and scale up programs.

6. Promote Equity and Inclusion

Governments and households may cite cost as a key obstacle to educating girls and people with disabilities. This ranges from household economics and social and cultural norms, beliefs, and attitudes that keep female students and students with disabilities out of school or cause them to drop out, to governments that cite the financial cost of inclusive education as the reason for maintaining segregated education for students with disabilities.³¹ USAID can advocate for and invest in greater policy dialogue

³¹ See <https://www.thinkinclusive.us/inclusion-exclusion-segregation-integration-different/> for further discussion about concepts of inclusion, exclusion, segregation, and integration.

around inclusive education as well as attention to how equitable and inclusive education can build long-term economic growth.

6. INTEGRATING EDUCATION FINANCE INTO THE PROGRAM CYCLE

Throughout each stage of the Program Cycle, education finance specialists in the Office of Education are available to assist Missions with technical consultations and advice either through in-person Temporary Duty Yonder (TDYs) or virtual consultations. Education finance specialists at USAID/Washington can also help facilitate dialogue with USAID/Washington offices, such as Private Capital and Microenterprise, the Global Development Lab, or the Democracy, Rights and Governance Center. In addition, with the signing of the Better Utilization of Investments Leading to Development (BUILD) Act on October 5, 2018, the new U.S. International Development Finance Corporation (USDFC) was established to be a modern, consolidated agency that brings together the capabilities of Overseas Private Investment Corporation (OPIC) and USAID's Development Credit Authority (DCA), while introducing new and innovative financial products to better catalyze private capital in the developing world. The USDFC will work closely with USAID Missions and the Office of Education to help unlock private capital in support of education development objectives.

The tables below present techniques and tools for integrating education finance throughout USAID's Program Cycle and other programmatic development stages. The resources and tools included below are meant to assist Missions in their analysis, project and activity design, and monitoring, evaluation, and learning. Missions should use these resources and tools as appropriate in a particular country context, and education finance specialists can assist in determining what is useful and efficient for a particular Mission.

TABLE I. COUNTRY/REGIONAL STRATEGIC PLANNING

This table highlights the analytical and data-collection steps to holistically document and map financing for the education sector by identifying information is needed to analyze education financing and how to get started with this analysis. The resources are examples of possible analyses Missions and partners can conduct.

EDUCATION FINANCE	KEY STEPS	RESOURCES
<p>National Education Policy Dialogue</p>	<p>1. Review available information about education finance in the partner country. Examples of where this information may be found include:</p> <ul style="list-style-type: none"> • National political economy studies • Analyses from international organizations such as development banks (e.g., the SABER School Finance Assessments [World Bank], UNESCO, IIEP, Global Partnership for Education (GPE), etc.) • Education sector assessments • Partner country education strategy or policy documents. <p>2. Work in partnership with in-country and international stakeholders to determine USAID’s role in advancing the four key areas for education finance contained in the Framework for Engagement in Education Finance (see Section 5 above) at the national level. This may occur through policy dialogue with the Ministry of Education, for example, with non-state schools and actors, with civil society groups, or as part of an education donor group or as part of a GPE grant development process.</p> <p>3. Seek private sector engagement to support education, in line with the USAID Private Sector Engagement Policy</p> <ul style="list-style-type: none"> • Identify, map, and consult local and international private sector actors of varying size, maturity, and industry. • Discuss respective priorities, jointly analyze constraints to inclusive growth, and identify potential areas of shared value. <p>4. Advocate with partners—the education donor group, GPE, and others—on the national level for ongoing education finance monitoring and analysis, use of evidence to drive decision-making, and for resource levels that take into account sustainability, cost-effectiveness, and equity leading to measurable learning results.</p> <p>5. Identify and analyze issues of gender, equity, and disability inclusion in the partner country’s education financing, to be included in policy dialogue:</p>	<p>Mobilizing Resources for Education and Improving Spending Effectiveness: Establishing Realistic Benchmarks Based on Past Trends (World Bank, 2019)</p> <p>GPE Strategic Plan 2016-2020 (GPE, 2018): see Country Level Objective 3</p> <p>Guidelines for Education Sector Plan Appraisal (GPE, 2015)</p> <p>GPE Guidelines for the Monitoring of National Education Budgets (GPE, 2019)</p> <p>GPE Policy Brief: Engagement on domestic financing for education (GPE, 2018)</p> <p>What Matters Most for School Finance: A Framework Paper (World Bank, SABER Working Paper Series, 2013)</p> <p>Education Public Expenditure Review Guidelines (World Bank, 2017)</p> <p>Who Pays for What in Education? (UNESCO, 2016)</p> <p>Designing and Implementing a School Grant Policy (UNESCO, 2018)</p> <p>USAID Private Sector Engagement Policy: Executive Summary (USAID, 2018)</p> <p>USAID Private Sector Engagement Policy (USAID, 2018): see “Putting PSE into Practice, pg. 24 and “Role of USAID’s Implementing Partners,” pg. 27.</p>

	<ul style="list-style-type: none"> Is education finance causing or contributing to unequal access to quality education in the partner country? What actions need to be taken to address equity or inclusion concerns in education finance? How can USAID’s work support these actions? 	<p>Advocacy Brief: Gender Responsive Budgeting in Education (UNESCO, 2010) Assessing the focus of national education financing policies on equity (UNESCO, 2016)</p> <p>Gender Consultation Report: Key Findings for the International Commission on Financing Global Education Opportunity (UNGEI, 2016)</p> <p>#CostingEquity: The case for disability-responsive education financing (IDDC, 2016)</p>
<p>Country Development Cooperation Strategy (CDCS) stage</p> <p>ADS 201.3.2.1</p>	<ol style="list-style-type: none"> Review all available information on the education sector in the partner country, to include information on education finance. (See “National Education Policy Dialogue,” bullet #1 in the row above for potential information sources). Review the Framework for Engagement in Education Finance (see Section 5 above) and USAID Education Policy Implementation Guidance to identify education finance opportunities and ensure alignment with Agency-wide education finance goals. In the CDCS narrative, describe the most important educational challenges and opportunities facing the partner country based on the best available evidence, and identify those areas in which the Mission proposes to address, in alignment with the USAID Education Policy. Include consideration of education finance opportunities. If sufficient data and evidence are available, describe preliminary strategies for how education finance will be addressed in the CDCS. Examples of how education finance could be programmed are: <ul style="list-style-type: none"> As part of an overall mission approach; As an integrated part of education programming (e.g., by supporting in-country advocacy for more and better use of education resources, or through technical assistance); or In cooperation with other USG or Mission programs (e.g., working with an Economic Growth or Democracy, Rights, and Governance program on public financial management or micro-enterprise development (i.e., non-state schools). If sufficient data and evidence are not available, and more information is needed to inform Mission choices in focus for USAID education programming, conduct appropriate assessments at the CDCS stage when possible (see “Assessment and Analysis” section below). Ensure that education finance is included in the assessments. 	<p>The following training from USAID University is available to USAID staff:</p> <ul style="list-style-type: none"> “Strengthening Public Financial Management and Public Accountability” “Domestic Resource Mobilization Training” “Private Sector Engagement” “Mobilizing Finance for Development” <p>Self-Reliance Roadmaps (USAID)</p> <p>To understand a partner country’s economic health and tax base: List of Recent Article IV consultations (IMF)</p> <p>To read assessments of partner country’s Public Financial Management and Public Accountability: Public Expenditure and Financial Accountability Secretariat (PEFA)</p> <p>For an overview of sector-specific Public Financial Management reforms, see Chapter 4: PFM in Development Co-Operation: A handbook for Sida Staff, (SIDA, 2007)</p> <p>For an example of a mission that used G2Gs as a mission-wide approach, see USAID/Peru Mission education G2G case study (USAID, TRG, June 2018)</p> <p>The following were developed to help USAID staff and implementing partners deepen understanding of country context and reflect upon the implications of this understanding for adjusting and adapting programs as the context changes or new information becomes available:</p>

	<p>More detailed assessments may also be done at the project design stage if time does not permit at the CDCS stage.</p>	<ul style="list-style-type: none"> • Thinking and Working Politically Through Applied Political Economy Analysis: A Guide for Practitioners (USAID, April 2018) • Applied PEA Framework (USAID)
<p>Assessment and Analysis</p> <p>Provides in-depth country and sector-level quantitative and qualitative information on key aspects of education finance. Identifies education finance obstacles so that these can be reflected as appropriate and relevant in the CDCS Goal, Development Objectives (DOs), Intermediate Results (IRs), and sub-IRs.</p>	<p>1. If the Mission or education team plans to use a G2G mechanism for education, initiate Stage One of the Public Financial Management Risk Assessment Framework (PFMRAF). Stage One of the PFMRAF process is the “rapid appraisal,” which provides USAID with a high-level, country-wide snapshot of the PFM, governance, and public accountability systems of the partner country government and helps inform the decision of whether USAID should move forward to undertake a more rigorous, institution-level Stage 2 PFMRAF.</p> <p>Even if Missions are not using a G2G mechanism, Public Expenditure Reviews (PERs) and Public Expenditure Tracking Surveys (PETSs)—two assessments recognized by the international community—can help identify weaknesses and inefficiencies in education sector public financial management. Missions then can assess whether there is a need for technical assistance to address these challenges without providing direct budget support.</p> <p>2. If the Mission plans to undertake Mission-wide assessments for the CDCS, such as a national political economy assessment, ensure that education finance questions are included in the study (see the Resources column for this section).</p> <p>3. If an education sector assessment is to be conducted at the CDCS stage, ensure that questions of education finance are covered, including issues of gender, equity, and disability inclusion related to financing. Assess conflict and crisis conditions and their effects on education if applicable.</p> <p>4. Determine whether it would be useful to conduct education finance-specific assessments at the CDCS stage. Examples include mapping national or sub-national education sector financing; identifying inefficiencies or inequities in national education financing; or using household surveys to determine how much households contribute to education costs, such as through National Education Accounts (NEAs).</p> <p>5. Use findings and recommendations from the analyses conducted to inform the Project and Activity Design stages of the Program Cycle where they can be further conceptualized and developed.</p>	<p>ADS Chapter 220: Use and Strengthening of Reliable Partner Government Systems for Implementation of Direct Assistance (USAID)—for guidance on G2Gs.</p> <p>Government-to-Government Education Toolkit (USAID)—This toolkit assists education officers and USAID partners with assessing, designing, managing, and evaluating G2G education activities.</p> <p>To see a high-level overview of partner country’s public financing for education, especially: Education Public Expenditure Review Guidelines (World Bank, 2017)</p> <p>To assess whether resources reach their intended destination and see a sample survey questionnaire: Public Expenditure Tracking Survey (UNESCO, IIEP)</p> <p>To assess the efficiency of public funds and service delivery: UNESCO IIEP, Quantitative Service Delivery Surveys (UNESCO, IIEP)</p> <p>In conflict and crisis-affected contexts: USAID’s Rapid Education and Risk Analysis (RERA) Toolkit (USAID) provides guidance on how to better understand the dynamic system of multiple contextual risks and assets that interact with the education system.</p> <p>SABER-School Finance: Data Collection Instrument (World Bank)—this document is a data collection instrument that contains survey questions which could be useful for adaptation in USAID-sponsored assessments.</p> <p>To assess household contributions to financing education: UIS data from National Education Accounts</p>

		<p>(UNESCO, UIS) and Brookings' Technical Workshop on National Education Accounts (Brookings, 2013)</p> <p>USAID/Washington has several buy-in mechanisms to conduct private sector assessments. These include:</p> <ul style="list-style-type: none"> • Promoting Excellence in Private Sector Engagement (PEPSE) • The Invest Project: Mobilizing Private Investment for Development (USAID) <p>To assess incentives and challenges to system-level reform:</p> <p>Thinking and Working Politically Through Applied Political Economy Analysis: A Guide for Practitioners (USAID/DCHA/DRG, April 2018); or</p> <p>Political Economy Analysis How-To Note (DFID, July 2009)</p>
--	--	--

TABLE 2. PROJECT DESIGN AND IMPLEMENTATION

This table offers entry points for more detailed, sub-sector analysis and project design. It reviews the analysis needed to design projects. At this point in the Program Cycle, Missions will decide on the use of the twin-track approach to education finance introduced in Section 3.

EDUCATION FINANCE	KEY STEPS	RESOURCES
<p>Assessment</p> <p>Digs deeper than the CDCS level. Analysis at this level influences the project design to ensure that it explicitly addresses aspects of education finance that USAID can address in an education project. Must be specific enough to provide recommendations that the education project will explicitly address.</p>	<p>1. If the Mission or education team has chosen to use a G2G mechanism for education and has conducted Stage One of the PFMRAF, conduct Stage Two. Stage Two provides a detailed and technical assessment of fiduciary risk on public institutions and processes. Missions might want to conduct separate programmatic and technical risk assessments.</p> <p>2. CDCS-level assessments typically have national or sub-national-level information that may not be detailed enough for project design. Determine whether it would be useful to gather more detailed education finance information through a project-level assessment that can aid with project design.</p> <p>Examples of information that could be useful in project design:</p> <ul style="list-style-type: none"> • Understanding dynamics of household financial contributions to primary education in CDCS-targeted regions of the country • Determining the efficiency and effectiveness of early-grade learning material procurements for primary schools in CDCS-targeted regions • Determining the role of non-state schools in providing early childhood and primary education in CDCS-targeted regions • Determining how the private sector could be engaged in supporting USAID activities • Determining current and potential sources and levels of financial support for youth employment training in CDCS-targeted areas • Determining the feasibility of offering scholarships and loans to at-risk students for tertiary education in CDCS-targeted regions 	<p>PFMRAF Manual (USAID)</p> <p>Unlocking Capital for Development (USAID, 2018)</p> <p>Private Sector Engagement: USAID/Washington Resource Guide for USAID Staff (USAID)—available to internal staff only—request from E3/ED finance staff</p> <p>USAID Private Sector Engagement Policy (USAID, 2018): “Putting PSE into Practice (pg. 24) and “Role of USAID’s Implementing Partners” (pg. 27).</p> <p>Sector Assessment in Preparation for a Development Credit Authority Portfolio Guaranty Project (USAID)—available to internal staff only—request from E3/ED finance staff</p> <p>Automated Directive System (ADS) Chapter 201: Program Cycle Operational Policy (USAID) provides requirements and guidelines for incorporating sustainability into USAID project and activity design. The initial Project Design Plan, for example, must include plans for engaging local actors, for conducting key analyses, and for considering the possible use of government-to-government (G2G) financing if applicable. See ADS 201.3.3.12.D (USAID).</p> <p>What Matters Most for School Finance: A Framework Paper (SABER Working Paper Series, April 2013)</p> <p>USAID Private Sector Engagement Policy: Executive Summary (USAID, 2018)</p>

	<ul style="list-style-type: none"> • Understanding social and gender dynamics that may affect education resource allocation and use at all levels—individual, household, regional, and national. <p>3. Consider whether a Development Credit Authority (DCA) guarantee may be appropriate (see “Activity Design and Implementation” in the next section of this matrix for more information). If so, DCA staff in USAID/Washington can assist with conducting a market assessment around possible transactions that directly support debt financing for education.</p> <p>4. Consider how education systems are affected by contextual risks, such as violence, insecurity, natural hazards, and health pandemics, and how these risks influence each other.</p> <p>5. Identify desired education finance information that will aid project design. Conduct either a standalone education finance assessment, or ensure that education finance questions are integrated into a broader project-level assessment that also collects other needed information.</p> <p>6. Use assessment findings and recommendations, and the guidance regarding the Twin-Track Approach for Education Finance (see Section 3), to inform decisions about the appropriate education finance approaches and tools to choose for the project’s design.</p>	<p>DCA informational materials (USAID)</p> <p>The Rapid Education and Risk Analysis (RERA) Toolkit (USAID) provides guidance on how to better understand the dynamic system of multiple contextual risks and assets that interact with the education system.</p> <p>Cost Reporting Guidance for USAID-Funded Education Projects (2018): Resource on reporting program and activity costs. This might be helpful guidance as Missions consider the cost-effectiveness and impact of previous or proposed activities.</p>
--	---	---

TABLE 3. ACTIVITY DESIGN AND IMPLEMENTATION

This table provides descriptions of a number of approaches and tools that can be used to implement both the finance-focused and finance-integrated activities that were discussed previously in the Twin-Track Approach to Education Finance. Sources of guidance and references are provided for each approach or tool, as well as a description of the conditions that may be appropriate in choosing them (“When would this be used?”). Roles played by various USAID staff are described, along with points of contact for further support and information. Finally, each approach or tool is followed by a number of illustrative Mission or global examples containing links where more information can be found.

APPROACHES AND TOOLS FOR IMPLEMENTING EDUCATION FINANCE ACTIVITIES			
Approach/Tool	Guidance and References	When Would this be Used?	Roles and Points of Contact
<p>Use of USAID acquisition and assistance (A&A) instruments</p> <p>Awarded to an implementing partner</p>	<p>Grants, Cooperative Agreements, and Contracts</p> <p>ADS Chapter 300 (USAID)—Agency Acquisition and Assistance (A&A) Planning</p> <p>ADS Chapter 304 (USAID)—Selecting the Appropriate A&A Instrument</p> <p>ADS Chapter 201 (USAID)—Program Cycle Operational Policy</p>	<p>To provide technical and/or financial assistance for activities such as:</p> <p>Education budget preparation, execution, and oversight by national governments.</p> <p>Civil society oversight public financial management and public accountability in education.</p> <p>Participatory budgeting, public expenditure review, and fiscal management of education resources by sub-national governments.</p> <p>Financial assessments and mapping activities of the private financial flows.</p>	<p>USAID Mission Education teams manage projects and activities.</p> <p>E3/ED Education Finance staff available as resources.</p> <p>USAID/W E3 Bureau:</p> <ul style="list-style-type: none"> • Private Capital and Microenterprise (PCM) • Global Development Lab • Economic Policy team

<p>Examples at the Mission Level</p>	<p>Liberia—The Mobile Solutions Technical Assistance and Research (mSTAR) program (2012-2019) supports the Government of Liberia to scale up mobile money salary payments for teachers nationwide.</p> <p>Liberia—20 percent of training providers under the Advancing Youth Project (2012-2017) received stipend payments via mobile money.</p> <p>Uganda—The multi-sectoral Governance, Accountability, Participation, and Performance (GAPP) program (2013-2020) supports civil society organizations to successfully engage with lawmakers on health, education, and agriculture budget allocations.</p> <p>Liberia—Under the Liberia Domestic Resource Mobilization (LDRM) project, USAID piloted a 1 percent “tax” on funds earmarked for education sector projects and used this “tax” to provide technical assistance and support to the Liberian government’s efforts to increase domestic public resources.</p> <p>Democratic Republic of Congo—27,600 teachers received per diem payments via mobile money under the USAID PAQUED project (2009-2014).</p>		
<p>Approach/Tool</p>	<p>Guidance and References</p>	<p>When Would this be Used?</p>	<p>Roles and Points of Contact</p>
<p>Use of the Development Innovation Venture (DIV) procurement mechanism</p> <p>Will result in an A&A instrument being awarded to an implementing partner</p>	<p>See Annex A for a full definition.</p> <p>Organizations apply through the DIV Annual Program Statement (APS), which is typically open for one year at a time. Complete application instructions can be found here.</p> <p>The DIV newsletter is an information resource.</p>	<p>DIV offers an opportunity to both non-profit and for-profit organizations for flexible grant funding to test new ideas and scale the most effective solutions. There are three essential selection criteria for DIVs: rigorous evidence, cost-effectiveness, and pathways to scale.</p> <p>DIV pledges to provide the following to partners:</p> <ul style="list-style-type: none"> • Flexible, patient grant funding • A dedicated USAID grant manager • Acceleration services to help identify barriers to scale and provide (or connect grantees to) targeted services, to fulfill specific growth and sustainability needs. • Connections to USAID technical bureaus; Missions; other USAID programs in science, technology, innovation, and partnership; and the Development Credit Authority. • Access to USAID’s network of partners, researchers, service providers, and other funders 	<p>DIV is managed by the USAID/W’s Global Development Lab.</p> <p>E3/ED Education Finance staff available as resources.</p>

		<p>to amplify impact and growth.</p> <p>Examples of how DIVs supporting education can be used:</p> <ul style="list-style-type: none"> • To support organizations and entrepreneurs piloting innovations in products and technologies (e.g., edtech, assistive aids and devices for disability inclusive education). • To support organizations and entrepreneurs piloting innovative education service provision (e.g., pedagogical innovations and wraparound education services such as language or technology instruction). 	
<p>Examples at the Mission Level</p>	<p>Philippines—DIV issued a grant to the Edupay program in the Philippines, which allows remittance senders to pay educational institutions directly without channeling the funds through a relative or trustee and also allows for monitoring the grades and attendance of the sponsored student. Early results suggest that senders remit more money if they know that it will go to education.</p> <p>India—Pratham works to improve basic learning outcomes by implementing learning camps in which students are grouped by level rather than by grade. With DIV Stage 2 funding, Pratham implemented and tested different learning camp models to determine the most effective programs.</p> <p>Jordan—DIV awarded a grant to T2I Technology, which provides a social learning platform that delivers a holistic suite of services including career navigation, skills-building, mentorship, and employment networking.</p> <p>Zambia—The Ministry of General Education is scaling up a program that receives support from DIV, USAID Zambia, and other partners called Catch Up to approximately 1,800 schools. Based on the Teaching at the Right Level (TaRL) approach pioneered by the Indian NGO Pratham, Catch Up aims to improve basic literacy and numeracy skills of primary school students in grades 3 through 5.</p> <p>Global—A list of education sector-focused DIVs can be found here.</p>		

Approach/Tool	Guidance and References	When Would this be Used?	Roles and Points of Contact
<p>Use of the Global Development Alliance (GDA) procurement mechanism</p> <p>Will result in an A&A instrument being awarded to an implementing partner</p>	<p>See Annex A for a full definition.</p> <p>GDA's are awarded based on: (1) complementarity between USAID and private sector objectives, (2) market-based approaches, (3) co-creation, and (4) private sector contributions and resources.</p> <p>More information about GDAs can be found here.</p> <p>The GDA Annual Program Statement (APS) (USAID) is an invitation to prospective partners to work side-by-side with USAID and other interested organizations to build partnerships that foster and leverage market-based approaches to solve critical business and development challenges.</p> <p>A listing of GDA partnerships worldwide supporting education can be found here.</p>	<p>To leverage non-governmental and private sector resources around shared development objectives.</p> <p>To co-create, co-design, and co-implement with private sector partners and to co-fund (1:1 ratio) between USAID and private sector funds.</p> <p>To help education businesses reach new markets and develop new products.</p> <p>To help businesses build relationships with government and other partners in support of education.</p>	<p>E3/ED Education Finance staff available as resources.</p> <p>Potential private sector partners can contact the USAID/W GDA office or work with Missions or independent offices directly to discuss potential partnerships with USAID.</p> <p>GDA is a part of USAID/W's Global Development Lab.</p>
<p>Examples at the Mission Level</p>	<p>Honduras—The \$10 million Generating Entrepreneurs and Sustainable Synergies (GENESIS) GDA aims to increase income generation opportunities for at-risk youth and former gang members through capacity building and mentorship.</p> <p>Vietnam—The Building University-Industry Learning and Development through Innovation and Technology (BUILD-IT) program is designed to produce graduates who can solve problems and engineer solutions and value for Vietnam's social and economic development. BUILD-IT leverages millions invested; the capabilities of the implementing partner, Arizona State University; and government, industry, and academic partners linking technology and engineering higher education to the needs and capabilities of industry partners.</p>		

Approach/Tool	Guidance and References	When Would this be Used?	Roles and Points of Contact
<p>Use of a <u>Government-to-Government (G2G) agreement</u></p> <p>Will be negotiated and signed with the partner government</p>	<p>See Annex A for a full definition.</p> <p>ADS Chapter 220 (USAID)—Use and Strengthening of Reliable Partner Government Systems for Implementation of Direct Assistance</p> <p>ADS Chapter 201 (USAID)—Program Cycle Operational Policy</p> <p>Local Systems: A Framework for Supporting Sustained Development—A Mandatory Reference for ADS Chapter 220 (USAID)</p> <p>G2G Education Toolkit (USAID)</p> <p>The Choosing G2G Modalities for Education Tool (USAID) provides a framework, decision tree, and a checklist to determine choice of G2G modalities for use in education programs.</p>	<p>Key decision factors for Missions in choosing the use of partner government systems are:</p> <ol style="list-style-type: none"> Role of the partner country government is essential to maintaining, directing, or financing the results of USAID assistance into the future. Good bilateral relationship: USAID supports the partner government’s strategy for achieving specific development results. Use and strengthening of government systems are likely to empower the people through greater access to services. Identified fiduciary risk that may result from the use of partner government systems is low or can be mitigated appropriately. Partner government entity is determined to have the necessary technical capacity. 	<p>USAID Missions determine whether or not to use the G2G modality and how to use it.</p> <p>E3/ED Education Finance staff available as resources.</p>
<p>Examples at the Mission Level</p>	<p>Senegal—USAID/Senegal’s early-grade reading PALME project (2012-2015) used an \$18 million, three-year fixed amount reimbursable account (FARA) to implement its G2G. The FARA had numerous milestones addressing institutional planning, capacity building, curriculum development, training, instructional materials, monitoring, assessment, and evaluation.</p> <p>Ghana—Using Country Systems in Ghana G2G Case Study traces USAID Ghana’s engagement and expertise in the use of G2G assistance since 2005. It contains lessons learned and effective practices in the use of partner country systems in education.</p> <p>Peru—G2G in Education Case Study: Peru captures ground-level experiences in the operational steps of designing, implementing, and monitoring USAID Peru’s G2G-based education programming.</p>		

Approach/Tool	Guidance and References	When Would this be Used?	Roles and Points of Contact
<p>Use of a <u>Development Credit Authority (DCA) guarantee</u></p> <p>Will be negotiated and signed with government or private sector partners</p>	<p>See Annex A for a full definition.</p> <p>DCA's can be paired with technical assistance and/or included as one component in a broader program.</p> <p>The USAID website's DCA page contains links to further information and a newsletter.</p>	<p>To address capital constraints among education businesses, particularly where there is a growing middle class and a market for non-state schools or ancillary services (e.g., private tutoring, technology or language classes, and books).</p> <p>To develop the market for education goods and services, such as non-state provision, early childhood, or tertiary education.</p> <p>To familiarize financial institutions with the education sector, the business model of education enterprises, and build trust, familiarity, and partnership between the education sector and financial institutions.</p> <p>As one component of an economic growth program targeting education enterprises.</p> <p>As a pathway to sustainable financing for education enterprises.</p>	<ol style="list-style-type: none"> 1. Education Officers and Mission staff identify challenges that could be addressed through a DCA guarantee (e.g., funding gaps or lack of private sector capital). 2. Ed Officers and Mission staff work with DCA and Education Finance staff to determine whether or not a guarantee would be useful. 3. DCA staff provide technical advice to Missions, including direct consultations with financial institutions. 4. DCA staff lead the process to structure an agreement (which can take 6-12 months), and then manage and oversee the guarantee. 5. Mission staff monitor and assess the impact of the DCA on the education system and students.
<p>Examples at the Mission Level</p>	<p>Ghana—USAID issued a DCA guarantee to a local bank in Ghana to support financing the construction and expansion of schools in the country. Internal staff can also see “Financing Women-Owned SMEs in private education: A Case Study in Ghana” (March 2013).</p> <p>Pakistan—DCA partnered with Khushhali Microfinance Bank to increase access to finance for a private businesswoman to open a school for more than 300 students.</p>		

Approach/Tool	Guidance and References	When Would this be Used?	Roles and Points of Contact
<p>Use of a Results-Based Financing approach</p> <p>Will be negotiated and signed with government or private sector partners</p>	<p>Results-Based Financing includes a range of tools that focus on performance and outcomes (sometimes outputs) as opposed to inputs.</p> <p>One frequently cited example is the use of Development Impact Bonds (DIBs). DIBs are a results-based financing instrument. Private investors earn a return (paid for by a third-party) if implementers reach a predetermined benchmark.</p> <p>Prizes, competitions, and challenges are also examples of Results-Based Financing and an area where USAID has a great deal of experience.</p>	<p>Donors and/or governments use DIBs with an organization(s) that has a proven approach, strong performance metrics, and monitoring systems in place. The goal is to scale the DIB activity to achieve a specific outcome. This outcome can be quantified in dollars.</p>	<p>E3/ED Education Finance staff available as resources.</p> <p>Pay for Results in Development: A Primer for Practitioners (USAID, Palladium)</p> <p>Results-Based Financing in Education: Learning From What Works (World Bank Group, 2018)</p> <p>What is Results-Based Financing? (Instiglio)</p> <p>A Guide for Effective Results-Based Financing Strategies (Instiglio, GPOBA, World Bank, 2018)</p> <p>Impact Bonds in Developing Countries: Early Learnings from the Field (Brookings, 2017)</p>
<p>Examples</p>	<p>Global/Competitions—All Children Reading: A Grand Challenge for Development is a partnership between USAID, World Vision, and the Australian Government to leverage science and technology to improve literacy of early-grade learners in developing countries. Through a series of competitions, partners contribute financial, technical, and human resource commitments to help scale proven literacy and technology-based approaches.</p> <p>India/DIB—With \$270,000 in upfront capital from the UBS Optimus Foundation, the service provider, Educate Girls, identified and encouraged enrollment for out-of-school girls, as well as providing learning interventions focused on a child-centric curriculum.</p> <p>India—The Quality Education India DIB aims to fund improved learning outcomes over four years for more than 300,000 primary school children in Gujarat and Delhi; it is the most ambitious education DIB to date.</p>		

	<p>Sign on for Literacy Prize—This competition, under the All Children Reading: A Grand Challenge for Development, sought technology-based innovations that increase literacy outcomes for deaf children in low resource settings by providing greater access to sign languages, early-grade reading materials, and/or reading instruction by engaging families, schools, and communities. Descriptions of prize winners can be found here.</p>
--	--

TABLE 4. MONITORING AND EVALUATION

This table provides tools and strategies to monitor and evaluate education finance programs and applies principles of learning and adapting.

EDUCATION FINANCE	KEY STEPS	RESOURCES
<p>Monitoring & Evaluation</p> <p>The purpose of monitoring evaluation and learning practices is to apply knowledge gained from evidence and analysis to improve development outcomes and ensure accountability for the resources used to achieve them.</p>	<p>Since the current standard assistance framework does not include any indicators pertaining to education finance, custom indicators are recommended for tracking performance. In developing custom indicators, it is a good practice to align indicators with existing UN, World Bank, GPE, and other multilateral and bilateral donor indicator frameworks, to the extent practicable.</p> <p>Measuring amount of education finance. Long-term impact indicators to measure non-USAID investment levels can include the following:</p> <ol style="list-style-type: none"> Gross domestic allocations for education as a percentage of gross domestic product (GDP) allocated for education Gross domestic expenditure for education as a percentage of GDP allocated for education Amount of new investment mobilized for education (in USD). Sub-indicators: <ul style="list-style-type: none"> - public, domestic - public, international - private, domestic - private, international <p>To track activity-level outputs of education finance activities, a standard indicator should be used: “Number of formal pre-primary, primary, and secondary learning environments, or equivalent non-formal learning environments, receiving USG assistance (disaggregated by state/non-state).”</p> <p>To track short-term outcomes, custom indicators are recommended that reflect Mission’s specific plans relating to education finance.</p> <p>Harmonizing performance indicators for education finance initiatives with other bilateral and multilateral agencies will help improve overall effectiveness of development assistance.</p> <p>Planning for education finance initiatives at a country level should be done based on data on existing resources in the education sector. An assessment of finance gaps as well as existing sources of education finance will help ensure realistic targets can be set and progress can be</p>	<p>Guidance for Monitoring, Evaluation and Learning (MEL) Plans:</p> <p>ADS 201.3.4.10 (USAID), ADS 205.3.8.1 (USAID), and ADS 201.3.5 (USAID)</p> <p>USAID Evaluation Policy (USAID, 2016): Guidance on the purposes of evaluation, the types of evaluations that are required and recommended, and the approach for conducting, disseminating, and using evaluations.</p> <p>Cost Reporting Guidance for USAID-Funded Education Projects (2018): Resource on reporting program and activity costs.</p> <p>Collaborating, Learning, and Adapting (CLA) Toolkit (USAID): Resources on CLA in the USAID Program Cycle.</p> <p>Monitoring Toolkit (USAID): Resources on monitoring in the Program Cycle.</p> <p>How-To Note: Project Monitoring, Evaluation, & Learning (MEL) Plan (USAID, 2017): Provides guidance on the purposes of evaluation, the types of evaluations that are required and recommended, and the approach for conducting, disseminating, and using evaluations.</p> <p>Automated Directive System (ADS) Chapter 205 Integrating Gender Equality and Female Empowerment in USAID’s Program Cycle (USAID)</p>

	<p>tracked against baseline data. In addition, a clear picture of the structure of domestic and international sources for education finance will help leverage opportunities and avoid duplication of efforts with other donors.</p>	
<p>Reports Operational Plan; Performance Plan Report (PPR); Portfolio Review (PR); and Quarterly, Annual, and Final Reports</p>	<ol style="list-style-type: none"> 1. For Operational Plans, include specific plans related to funding allocations and activities under key issues narratives. 2. For PPRs, PRs, and other reports, state results and the impact on or contribution to achieving development objectives and intermediate results. Provide sex disaggregated data and progress on gender sensitive indicators. 3. When it is possible, include success stories and other story series built around key themes that track progress and developments during the course of the project; create a strong narrative about results. 	N/A
<p>Learning and Adapting</p>	<ol style="list-style-type: none"> 1. Identify learning questions related to education finance or potential gaps in the theory of change or technical knowledge base. 2. Identify how USAID education staff and partners can contribute to the evidence base for disability inclusive education. 3. Facilitate learning at the country level. This may entail plans for workshops, seminars, or public fora that bring together local stakeholders to discuss an activity's performance, results, or the need for change and adaptation. Lead players in these types of interventions are usually Ministries of Education at national and/or more local levels, non-state school actors, partners, local NGOs, local governments, schools, communities, interested private sector representatives, and other donors. 4. Facilitate learning within the project. This may entail the creation of a plan for ongoing research or study of an approach about which more understanding is desired. Learning is enriched within USAID and the larger global community by ensuring that research, studies, learning materials and other tools that are being developed are shared and made widely available on websites such as USAID's Development Experience Clearinghouse. 	<p>EducationLinks posts new studies, evaluations, and project and activity documents on an ongoing basis that are learning tools for those in the field.</p> <p>Education Internal Newsletter (available to USAID staff)</p> <p>E3/ED has technical staff dedicated to the promotion of knowledge management and learning that can assist USAID education staff and partners.</p> <p>USAID Learning Lab USAID CLA Toolkit (USAID) provides resources on developing a Learning Agenda and M&E for Learning.</p> <p>ADS 201.3.5 Monitoring, Evaluation, and Learning (USAID)</p>

7. RESOURCES

This section provides a listing of resources that are available to USAID staff and implementing partners to assist their efforts in working on education finance.

TABLE 5. EDUCATION FINANCE RESOURCES

Title	Use/Summary of Document
Government to Government (G2G) Education Toolkit	This toolkit assists education officers and USAID partners with assessing, designing, managing, and evaluating G2G education activities. The intent of the toolkit is to be a living set of tools that are regularly updated based on feedback from the field.
USAID Digital Finance Team	USAID's Digital Finance Team, a part of the U.S. Global Development Lab's Center for Digital Development, provides tools, resources, and information that supports the application of digital finance to address the most pressing development challenges.
The Role of Digital Financial Services in Accelerating USAID Education Goals (2018)	Intended to help USAID practitioners understand how the targeted use of digital finance services (DFS) can support USAID education programming. DFS can promote greater time and cost efficiencies and transparency for education service delivery within, and outside of, the classroom.
Digital Finance for Development: A Handbook for USAID Staff (2014)	This handbook enables USAID staff to understand how to identify, assess, and act on opportunities to use inclusive DFSs (such as mobile money) in USAID programs. It is designed for use across the Agency, though content is often framed with a Mission perspective.
Making the Journey from Cash to Electronic Payments: A Toolkit for USAID Implementing Partners and Development Organizations	This toolkit was created by USAID's Global Development Lab and NetHope's Payment Innovations Project to assist relief and development organizations in making the journey from using cash payments to e-payments wherever possible.
Mobile Financial Services Market Viability Tool	This tool provides a comprehensive ranking of the overall maturity of the mobile financial services (MFS) ecosystems in 104 countries. It uses 40 key indicators that fit into six indicator groups. All indicators are sourced from existing international data sets. A high ranking in overall score generally indicates that a country's digital payment market conditions are conducive to exploring the expansion and continued adoption of MFS.
Local Systems: A Framework for Supporting Sustained Development (2014)	This Framework describes USAID's overarching approach to transforming innovations and reforms into sustained development. Drawing upon USAID's experience, established good practice, and systems thinking, this Framework places local systems at the center of all of our efforts to promote sustainability.
Public Financial Management Risk Assessment Framework (PFMRAF) Manual: A Mandatory Reference for ADS Chapter 220	This USAID guidance document describes the PFMRAF stages and requirements for establishing a G2G agreement, as well as guidance for PFMRAF Integration into project design (Chapter 4).
Development Innovation Ventures	Development Innovation Ventures (DIV) is an open innovation fund at USAID that sources, supports, and scales breakthrough solutions to global development challenges. Through a year-round grant competition for innovative ideas in any sector and nearly any country, DIV invests funding and hands-on support in solutions with the potential to deliver more impact, for a lower cost, at a sustainable scale.
LEARNING to Realize Education's Promise	2018 World Development Report

Education Finance Landscape Mapping Review	<p>A landscape mapping exercise was completed in January 2017 to capture which USAID education programs were currently addressing the intersection between education and the thematic areas of disability, gender, education finance, and information and communication technology for education (ICT4E). The cited report focuses on education finance.</p>
Accountability in Education: Meeting Our Commitments (2017/18)	<p>UNESCO's 2017/8 Global Education Monitoring Report focuses on accountability in education. It reviews global evidence on the interdependent mechanisms holding key actors in education accountable. It aims to answer key questions on accountability in education.</p>
The International Commission on Financing Global Education Opportunity	<p>This is the website for the Education Commission, a major global initiative engaging world leaders, policymakers, and researchers to develop a renewed and compelling investment case and financing pathway for achieving equal educational opportunity for children and young people.</p>
School Finance Brief —2016	<p>A brief from the World Bank Group's Systems Approach for Better Education Results (SABER). Documents and analyzes the policies and processes governing where education resources are focused and how they are distributed to help countries improve their delivery efficiency of resources and align their priorities with their finances.</p>
USAID Cost Reporting Guidance for Education Programs (2017)	<p>This document is designed to provide guidance for USAID Agreement and Contracting Officer's Representatives (A/CORs) and their implementing partners on how to capture and report project expenditure as well as contributions of government and non-government partners in USAID-funded education programs. The guidance and templates are based on extensive consultations with USAID staff, implementing partners, and researchers who have extensive experience conducting expenditure tracking and cost analyses.</p>
Improving School Financing: The Use and Usefulness of Grants	<p>In collaboration with UNICEF and GPE, International Institute for Education Planning (IIEP) has launched a comprehensive research program on the design and implementation of school grant policies and how grants are used by schools. Technical guidelines have been produced to help countries design and implement school grant policies. Intended for political decision-makers and educational planners, the guidelines present a variety of challenges and the different strategic solutions to consider from policy conception at the central level to implementation at the school level.</p>
The Future of Education in Latin America and the Caribbean (2018)	<p>The objective of this report is to provide an independent, non-partisan, non-governmental analysis of issues and trends in education throughout Latin America and the Caribbean (LAC), with a particular focus on identifying spaces for developing partnerships between LAC countries and the United States. The paper identifies strategic opportunities where the United States, including through USAID programs and projects, can engage with countries in the LAC region to promote common interests.</p>
Good Practice Note on Sequencing PFM Reforms (IFM, 2013)	<p>This good practice note documents lessons learned in sequencing public financial management reforms and offers some guidelines to assist future reform efforts.</p>
Impact Bonds in Developing Countries: Early Learnings from the Field (Brookings, 2017)	<p>This report explores the lessons learned in the development of impact bonds in low- and middle-income countries, bringing together the findings from both interviews with stakeholders and research into the impact bond space conducted by the authors over the course of a year.</p>
Public Financial Management Glossary and Terms	<p>This document, from the Asia Foundation, contains a useful list of key education finance terms; English definitions begin on page 20.</p>
Unlocking Capital for Development: An Introduction to Engaging with Finance Providers to Address Development Challenges (2018)	<p>This document provides an introduction on how USAID staff can meet development objectives through engaging investors who can deploy essential capital.</p>

ANNEX A. EDUCATION FINANCE APPROACHES

Domestic Revenue Mobilization (DRM): Domestic revenues come from taxes, fees, and grants. DRM is the process through which governments raise their own funds and is the long-term path to sustainable development finance. DRM not only provides governments with the funds needed to alleviate poverty and deliver public services, including education, but also is a critical step away from aid dependence.³² Under the 2015 [Addis Tax Initiative](#), 40 countries and institutions, including the United States, committed to improving DRM in developing countries to achieve the SDGs.

With a new government taking office in June 2004, El Salvador faced tremendous challenges as it sought to rehabilitate basic infrastructure and expand access to social services. Tax revenues were among the lowest in Central America and tax evasion was rampant, fueled by public distrust of government. [El Salvador's government began a partnership with USAID](#) to revamp its tax collection system. Over the ensuing five years, El Salvador undertook tax reforms that enabled the country to increase its revenues by \$350 million per year; these increased revenues now fund the country's development.

- USAID's DRM programs work with partner countries to strengthen tax collection capacity, upgrade audit and IT systems, modify and simplify tax codes, and reduce tax evasion and leakage. DRM does not necessarily mean new taxes or higher tax rates. Governments often see their revenues rise through improved audits or simplified filing processes.

- USAID works closely with other USG partners, including the U.S. Department of Treasury, the Millennium Challenge Corporation, and the U.S. Department of State, to support effective mobilization of domestic revenue. The International Monetary Fund, the World Bank, the Organization for Economic Co-operation and Development, and many bilateral and multilateral donors are important partners in this effort.

Public Financial Management (PFM): PFM is the system by which public resources are expended. It is the process of planning, directing, and controlling all public financial resources, and it includes all components of a country's budget process—from the preparation and planning phases to execution and auditing. PFM is an essential piece of governance, alongside the principles of transparency, participation, effectiveness, and accountability. It is underpinned by a legal framework for budgeting and oversight.

The principal objectives of PFM are to ensure fiscal discipline, strategic allocation of resources, and value for money. Sound PFM requires working at both the national level and the sub-national and school levels where fees are often collected.

³² In contrast with domestic *revenue*, domestic *resources* include all public and private financing, such as government expenditures and household contributions to education financing. These terms are sometimes used interchangeably, which can cause confusion.

Mobile money: Mobile money is one type of digital finance service and can serve both the public and private sectors. Mobile money enables users to store money in an electronic account associated with their mobile phones' SIM cards and conduct transactions on their accounts using their mobile phones. Users typically deposit and withdraw cash from their mobile money accounts at a mobile money agent. An **agent** can be a shopkeeper, bank, retail store, or other entity authorized to conduct mobile money or bank transactions, or a parent paying public or private school fees and tuition.

- Digital payments, including mobile and card payments, can improve beneficiary access to financial services via transaction points that are more conveniently located than a bank branch. Globally, mobile money services, with 690 million active accounts, are available in two-thirds of lower- and middle-income countries and have contributed to the decline in the number of individuals who do not use a bank in low-income countries.³³

Although financing for education is frequently thought of as a binary distinction between public or private, education systems frequently blend public and private resources, systems, processes, and innovations. The role of [Digital Financial Services \(DFS\)](#) in PFM is a prime example. Financial services include banking and payment services (including savings, loans, remittances, bill payments, mobile money) conducted via electronic channels. USAID has supported governments' use of digital finance to enhance legitimacy and accountability and developed [this paper](#) on how DFS can enhance learning outcomes. There are several ways digital finance contributes to strong educational outcomes. Governments can leverage digital finance to pay teachers' salaries, thus reducing leakage and increasing the speed and security of payments. Electronic payments from governments to schools in the form of capitation grants also are rapid, efficient, and safe. Schools or educational systems also may use mobile payments to securely pay for books or other supplies.

USAID-SPECIFIC EDUCATION FINANCE APPROACHES:

Government-to-Government (G2G) agreement: G2G programs use partner government systems as a means to achieve USAID development objectives. In G2G programs, USAID disburses funds directly to a partner government entity to implement a project or activity, using the partner government's financial management, procurement, or other systems.

- USAID's G2G programs are different from the traditional contract/grant

management system and require a separate approval and oversight system. G2G programming has supported USAID education goals in a variety of countries around the world, including: Afghanistan, Ghana, Pakistan, Peru, Senegal, Egypt, Ethiopia, Haiti, Honduras, Nepal, and Jamaica.

³³ GSMA, *State of the Industry Report on Mobile Money* (2017), <https://www.gsma.com/r/wp-content/uploads/2019/05/GSMA-State-of-the-Industry-Report-on-Mobile-Money-2018-1.pdf>.

- The [G2G Toolkit](#) assists education officers and USAID partners with assessing, designing, managing, and evaluating G2G education activities. This toolkit is a living set of tools, including country case studies, which are updated regularly based on feedback from the field.

In [Afghanistan](#), USAID utilized G2G programming to support the Basic Education, Literacy, Technical, and Vocational Education and Training (BELT) project beginning in 2011. The G2G activity used cost reimbursement of approximately \$20 million over three years (FY12-14) to cover the costs of procurement for printing 47.6 million approved textbooks.

Development Innovation Venture (DIV): A three-tiered, staged finance model used by USAID to maximize cost-effectiveness and minimize the risk of testing new ideas. DIV holds a year-round grant competition for innovative ideas, pilots and tests them, and scales solutions that demonstrate widespread impact and cost-effectiveness. [DIV's tiered-funding model](#), inspired by the venture capital experience, invests comparatively small amounts in relatively unproven concepts and continues to support only those that prove they work.

- DIV provides patient, flexible grant capital for innovative ideas and solutions from innovators around the world.

In Ghana in 2012, in association with the [National Apprenticeship Program](#), DIV awarded a grant to Innovations for Poverty Action to test a performance-pay scheme in which training providers receive pay based on the skill level of the apprentices who they train.

- DIV offers acceleration services (e.g., sales, marketing, and strategy and communications) and access to USAID's network of donors and funders.

Global Development Alliance (GDA): A partnership involving USAID and the private sector—and also may include a range of other partners—in which parties work together to develop and implement activities that leverage and apply their respective assets and expertise. GDAs are based on: (1) complementary interests and objectives; (2) market-based approaches and solutions; (3) co-creation and shared responsibility; and (4) private sector contributions of at least 1:1 to USAID contributions. Ultimately, the goal of a GDA is to leverage business expertise and advance core business interests to achieve development impact.

- GDAs support a highly diverse set of education interventions. From 2001-2017, USAID engaged in approximately 200 GDAs related to education, totaling over \$2.1 billion.³⁴ They include both small programs and massive partnerships seeking to address development challenges in multiple sectors simultaneously. GDAs target a variety of age groups and intervention styles, from vocational training for at-risk youth to programs that develop

³⁴ USAID, *Education Finance Landscape Mapping Review*.

community libraries. They can involve partners from government, the private sector, civil society, universities, faith-based organizations, and community organizations.

- USAID’s [GDA Annual Program Statement \(APS\)](#) is an invitation to prospective partners to work side-by-side with USAID and other interested organizations to build transformational partnerships that foster and leverage market-based approaches to solve critical business and development challenges.

In Asia, USAID formed a \$12 million partnership with Google, HP, Intel, and National Instruments to support workforce development. The [Connecting the Mekong through Education and Training \(COMET\) project](#) (2014-2019) focuses on working with universities and vocational centers to increase the number of skilled workers in science, technology, engineering, mathematics, accounting, and tourism (STEM+AT) in Cambodia, Laos, Myanmar, Thailand, and Vietnam.

Development Credit Authority (DCA): A DCA guarantee is a risk-sharing agreement with partner financial institutions, investors, and development organizations to unlock financing for entrepreneurs in the developing world. DCA guarantees provide a partner financial institution with partial guarantee coverage (typically 50 percent) on a loan or portfolio of loans in a given sector (e.g.,

[Financing Women-Owned SMEs in Private Education: A Case Study in Ghana](#) (2013) describes USAID’s DCA Agreement with Opportunity International Savings & Loans in Ghana and the accompanying technical assistance project targeting the private education sector. The Ghana project is one of a few USAID DCA Agreements benefiting a significant number of women-owned SME borrowers without explicitly seeking to benefit women SME entrepreneurs.

agriculture, health, energy) that the lender perceives as too “risky.” DCA guarantees mobilize private sector lending with minimal USG funding that is used only as a set-aside in the case of potential defaults.

- DCAs incentivize financial institutions to lend to education businesses and students, providing essential capital to businesses (e.g., non-state schools, publishers, tutoring companies) and students. As of 2018, DCAs have leveraged \$4.8 billion in 76 countries.

ANNEX B. GLOSSARY OF TERMS

Agents: Key players in the DFS system. An agent can be a shopkeeper, bank, retail store, or other entity authorized to conduct mobile money or bank transactions. By using agents, DFS providers can increase drastically the number of outlets available for customers to conduct financial transactions with greater convenience.

Education finance: Monetary and in-kind resources made available for education from a variety of both public and private actors covering the full student lifecycle, from pre-primary through higher education.

Fiduciary risk: The danger that funds allocated from the budget may not be controlled properly, may be used for purposes other than those intended, and/or may produce inefficient or uneconomic programmatic results.

Mobile network operators (MNOs): Providers of mobile money services (e.g., MTN, Airtel, Vodacom, and Orange). Depending on local regulations, MNOs offer either these services directly or in partnership with a bank.

Non-state schools: USAID defines “non-state” according to three criteria: financing, governance structures and regulations, and day-to-day management. Non-state schools include faith-based, community, and private schools. This definition is the result of a deliberative process for USAID’s [“Affordable Non-State Schools in Contexts of Crisis and Conflict”](#) report.

Official Development Assistance (ODA): The official measure of contributions to development, including for education, from bilateral and multilateral donors. Contributions to development financing are counted as ODA as long as their primary objective is the promotion of economic development and welfare, and they are concessional in character with a grant element of at least 25 percent.

Partner Government Systems (PGS): Includes all government systems involved in the management of government operations regardless of function, including financial, procurement, human resources, performance monitoring, audit, disclosure, adjudication, regulation, enforcement, and others.

Public Financial Management (PFM): A class of systems and elements thereof involved in the management of public resources. It primarily refers to the processes, procedures, and activities associated with spending public resources to include budgeting, treasury, cash management, disbursement, accounting and reporting, audit and control, and may include the financial management features of various government systems such as procurement and human resources, as well as the financial management aspects of transparency, governance, and public accountability. In the context of financial management and fiduciary risk identification, “procurement” may be referred to as a separate system from other systems involved in PFM for clarity and precision.

Public Financial Management Risk Assessment Framework (PFMRAF): USAID’s risk management process to identify, mitigate, and manage the fiduciary risks encountered when considering G2G assistance. It focuses on fiduciary risks that USG funds may be exposed to when administered directly by the PFM systems of the individual entities intended to implement G2G-funded activities.

PFMRAF assessments of individual entities must include all PFM systems that may be used in implementing an individual project.

Self-reliance: The ability of a country, including the government, civil society, and the private sector, to plan, finance, and implement solutions to solve its own development challenges.