Integrated National Financing Frameworks

GUIDANCE NOTE

INFFs and Education

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About integrated national finance frameworks

Integrated national financing frameworks (INFFs) are a planning and delivery tool to help countries implement the Addis Ababa Action Agenda at the country level. INFFs lay out the full range of financing sources – domestic and international sources of both public and private finance – and guide countries in developing a strategy to increase investment, manage risks and achieve sustainable development priorities, as identified in national sustainable development strategies.

To help build cohesion and encourage knowledge exchange between countries implementing INFFs around the world, the United Nations and the European Union, in cooperation with a growing network of partners, are developing joint approaches to bring together expertise, tools and relationships in support of country-led processes. For more information about INFFs, visit www. inff.org.

Acknowledgements

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SUPPORTING PARTNERS

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Contents

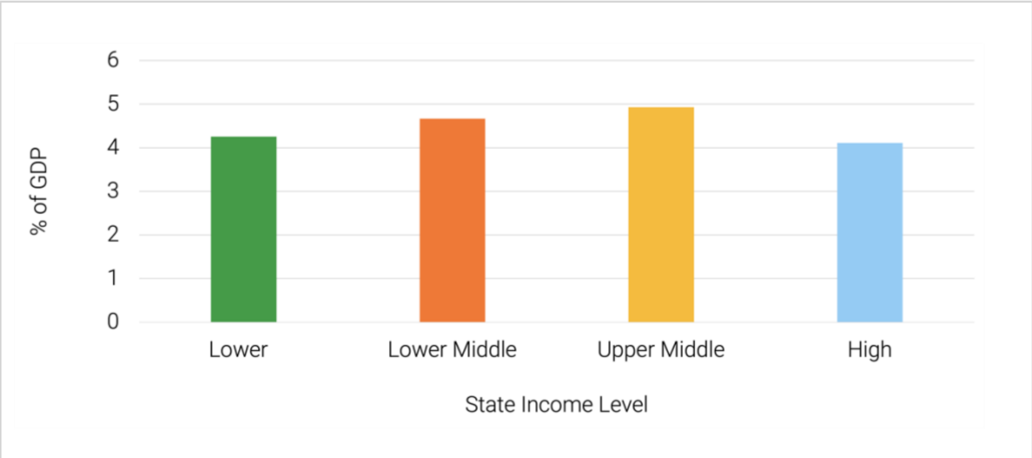
1. Introduction

Inclusive and equitable quality education that is available to all, as expressed in SDG 4, is a fundamental requirement for the social and economic development of society. This aspect of education is intrinsically understood by society, resulting in expectations regarding education service delivery and financing.

Whilst the State plays a dominant role in education financing (see Figure 1), households (through direct family expenditure and community/religious institution contributions) are strong contributors.

Figure 1. 2020 Government Spending on Education as a % of GDP

*UNESCO UIS June 2022 data, 86 countries



An important aspect of education financing is the social contract that exists between different groups; state and communities, parents and children, and businesses and employees. This social contract is the sense of obligation, reinforced by community expectations, to finance educational activities.

Planners need to be aware of the strength of social contracts as policies aimed at one relationship will often trigger financing from another, regardless of the willingness or capacity of the parties to do so.

An INFF helps countries achieve their national sustainable development objectives by mobilizing all types of finance (domestic, international, public, and private) and by considering economic, social and environmental implications (see Box 2). The purpose of this note is to provide guidance on the application of INFFs for education (see Box 1). It is a supplement to the INFF guidance on the four building blocks (see Box 2).

Box 1. Who is this note for?

- Central and line-ministry financiers, planners, and policy makers
- Planners & policy makers involved in household social and economic well-being
- Development partners supporting education investment
- Community organisations engaged in education governance and outcomes

Box 2. What is an integrated national financing framework (INFF)?

Integrated national financing frameworks (INFFs) help countries finance their national sustainable development objectives and the Sustainable Development Goals (SDGs).

Through INFFs, countries develop a strategy to mobilise and align financing with all dimensions of sustainability, broaden participation in the design, delivery and monitoring of financing policies, and manage risk.

INFFs are voluntary and country-led. They are embedded within plans and financing structures, enabling gradual improvements and driving innovation in policies, tools and instruments across domestic, international, public and private finance.

Four building blocks can support governments in putting this core approach into practice:

1. **Assessment and diagnostics** (to provide the basis for decision making on financing – i.e. what are the needs, what financing is already available and how it is being used, what are the risks, and what are the underlying obstacles/binding constraints);
2. **Financing strategy** (to guide the design of integrated financing policies and reforms);
3. **Monitoring and review** (to bring together all relevant information, and facilitate transparency, accountability and learning on all things financing);
4. **Governance and coordination** (to ensure institutions and processes required for the formulation and implementation of financing policies are in place and functional).

Note: Global guidance on each of the building blocks can be found at inff.org.

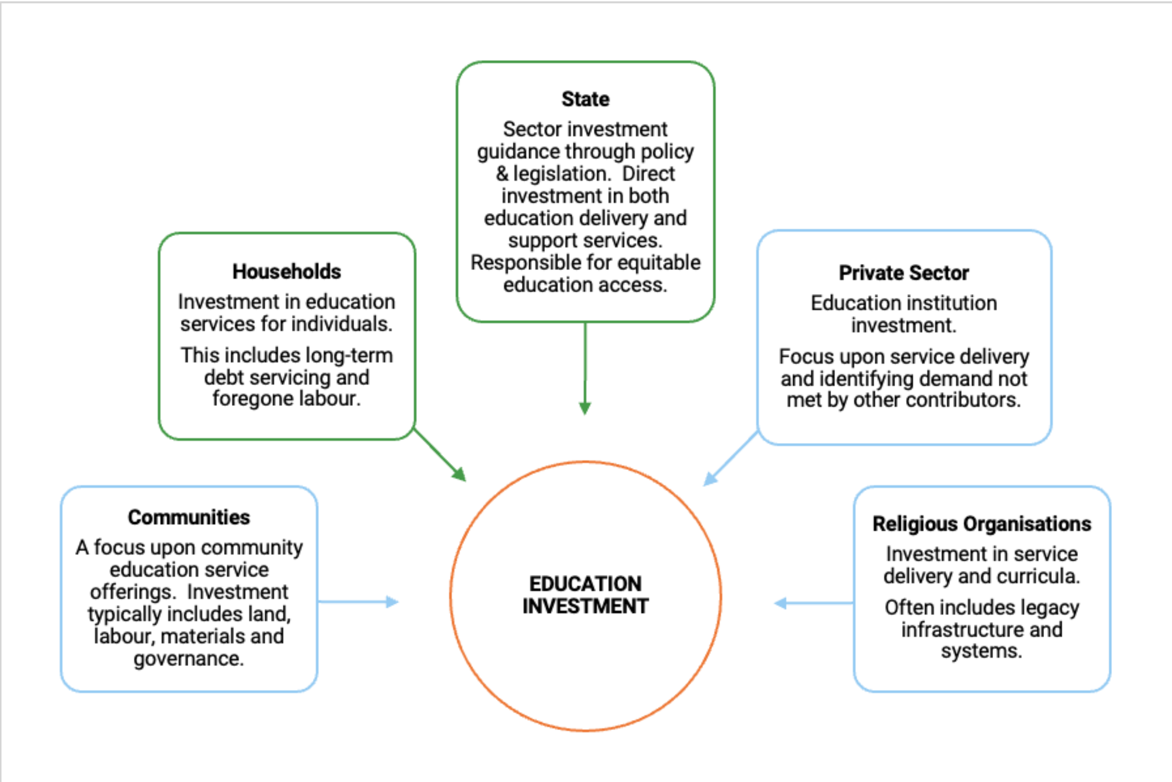
This technical guidance note also serves as a follow-up of the Transforming Education Summit held during the 2022 UN General Assembly. Building on the SDG4-Education 2030 commitments, the 2021 GPE's partners Call to Action on Education Finance, the Paris Declaration on Education Financing, and other existing frameworks on financing for development, a Call to Action on Educational Investment urges all countries and all partners to take concrete action both nationally and internationally.

2. Education Finance: An Overview

2.1 Education Financing in Practice

Education financing looks at education investments that further government's pursuit of social and economic goals. For the purposes of this note, it covers early childhood, primary, secondary, tertiary, technical vocational education, and industry accreditation.

Figure 2. Common Sources of Education Investment

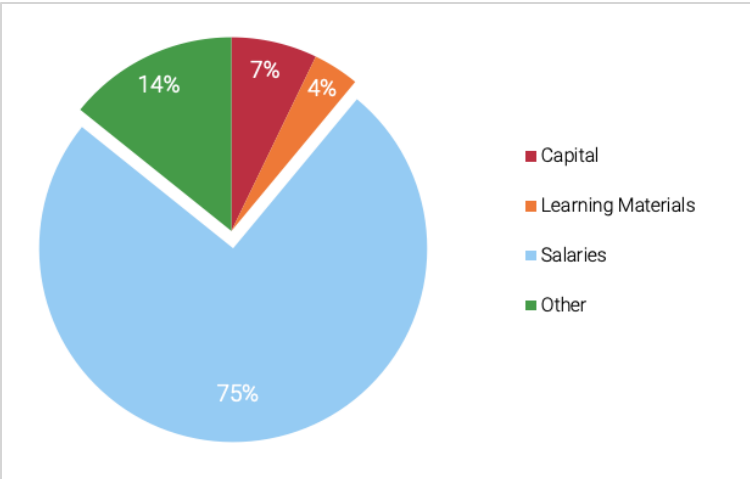


Education financing has different contributors (see Figure 2) with strongly correlated goals. Typically, this includes the State, households, communities, private sector, and religious organisations. One challenge for planners is understanding the ability and willingness of each group to participate in policy-led financing changes. This can differ between sub-groups, particularly different types of households, as well as over time.

Education expenditure typically is heavily weighted towards ongoing expenses (salaries, learning materials, maintenance, etc) with capital investment in infrastructure usually occurring as part of structured long-term planning. Financing strategies need to be cognizant of this and take advantage of the education sector's cyclical nature.

Figure 3. 2020 Average Gov. Education Expenditure Composition

*UNESCO UIS June 2022 data, 86 countries



Quality data is often difficult to obtain, particularly in relation to industry-specific education not managed or subsidized by the State (e.g., plumbing qualifications). Regardless, planners should take all groups into consideration when assessing and monitoring long-term financing for the education sector.

2.2 Typical Challenges

Financiers need to understand the typical challenges (see Table 1) different contributors face, to ensure these are being addressed and form part of the financing decision making process.

Table 1. Typical Challenges Faced by Education Sector Financiers

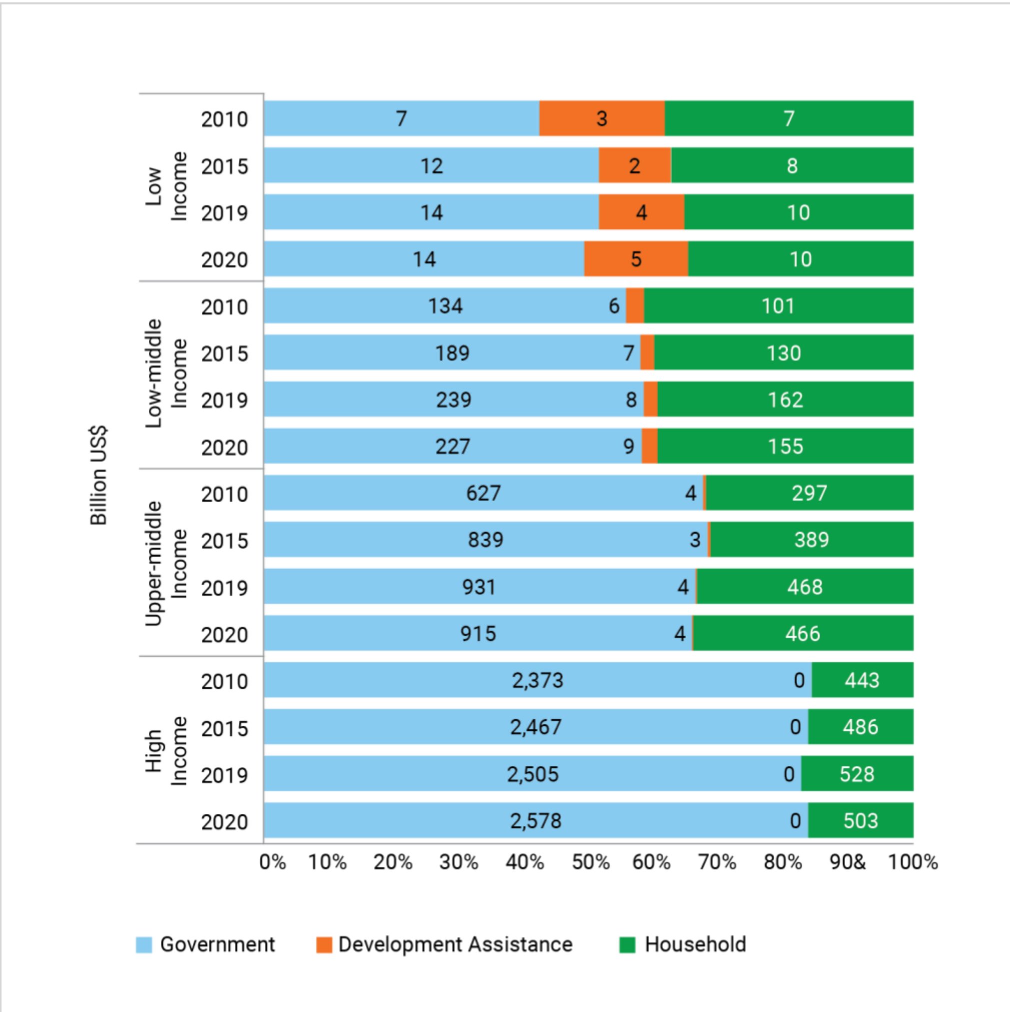
THE STATE	
Uncosted Policy	Policy is often introduced without sufficient costing or without assessing the opportunity costs of the investment (particularly with early childhood).
Demand for Education	Demand for education, in terms of absolute numbers and trends, is often poorly accounted for in decision making.
Return on Investment	The state seeks the maximum social and economic returns for their education investment, with national targets and international benchmarks as a guide.
Equity	Financing needs to support the pursuit of equity as defined by the State without compromising core service delivery.
Competition for Finance	The level of support for different sectors changes as governments change, creating challenges for long-term education financing strategies.
Commitments	The need to balance long-term national and international commitments with non-aligned shorter-term demand for education resources.
Unplanned expenditure	Large investments or diversion of funds due to natural or man-made disasters occur with little forewarning.
HOUSEHOLDS	
Household Budgets	Costs of education, including related debt, form the primary concern for households, particularly poorer households with a large number of children.
Equity	Limited resources may see varied levels of education investment between offspring, exacerbate existing bias such as gender or differently abled.
Foregone Labour	Children removed from the labour force for schooling can result in a decline in household income, a difficulty for many low-income households.

	HOUSEHOLDS
Access to Education	Households face challenges in accessing certain types of education that suit their specific objectives with regards to future private returns.
	COMMUNITIES
Access to Education	Availability of basic education services, those seen as essential for a child's progression in society, is a key community issue.
Appropriate Education	Communities desire residual education services that meet their needs, which typically diverge for upper-secondary and post-secondary.
Disaster Recovery	Resumption of education services, particularly for children, is a high priority for communities and they will invest heavily to achieve it.
Governance	Communities often seek a role in the governance of education institutions that community members are attending.
	PRIVATE SECTOR
Industry Quality	Maintenance of standards and protection through legal recognition for industry-led education qualifications is vital for several industries.
Return on Investment	State policies that increase costs without a commensurate change in the quality of services reduce returns for private education service providers.
Appropriate Education	Education institutions producing graduates that meet private sector needs is a constant issue giving the changing composition of national economies.
	RELIGIOUS ORGANISATIONS
Curricula	What can be taught in a school is a key issue for religious run schools, particularly with components of state-imposed curricula.
Legacy Infrastructure	Often schools run by religious organisations have legacy infrastructure that is unable to be maintained with existing resources.

2.3 Education Financing and the Need for an Integrated Approach

Public and household contributions constitute the majority of school level education financing regardless of state income level, with development assistance a strong contributor for states with lower income levels (see Figure 4). Finance policymakers must act as a nexus for different financiers, to ensure financing is complementary. This is particularly important for household and private sector financing, where policymakers have less direct influence.

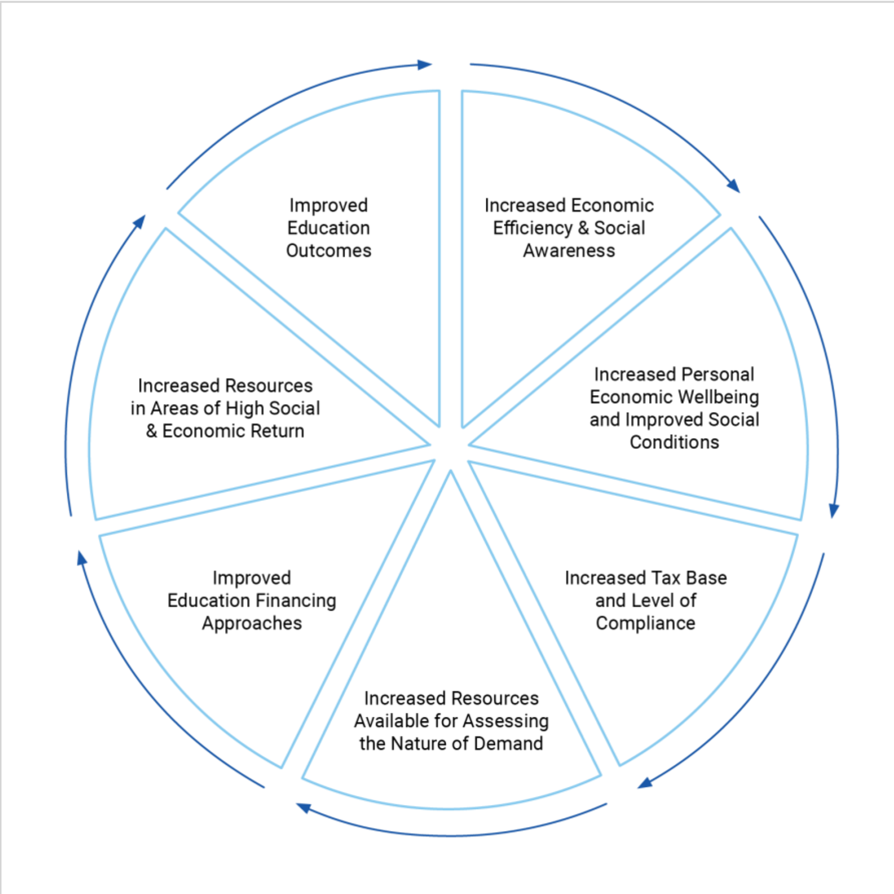
Figure 4. Distribution of total education spending by source, year, and country income group, percentage and billions USD



Note: Interpolation was done to fill missing data and ensure comparable sample of countries in all periods
Source: Education Finance Watch 2022

The size of the education sector means that any investment approach needs to take into account the impact on other sectors, as well as broader macroeconomic considerations. Whilst education financing may have the Sustainable Development Goal 4 as its primary focus, the reality is, such financing impacts progress towards all seventeen goals. This includes impacts on financing for development action areas of science, technology, innovation and capacity building as well as international trade as an engine for development.

Figure 5. Education Virtuous Circle



Education financing exists in a virtuous circle (see Figure 5), where returns on education contribute towards economic and social goals. These intrinsic links allow for an integrated approach to education financing to have a compounding effect. These economic and social returns extend far beyond the education sector, forming a critical component for all sector planning.

3. Implementing INFFs for Education Financing

3.1 Assessment and Diagnostics

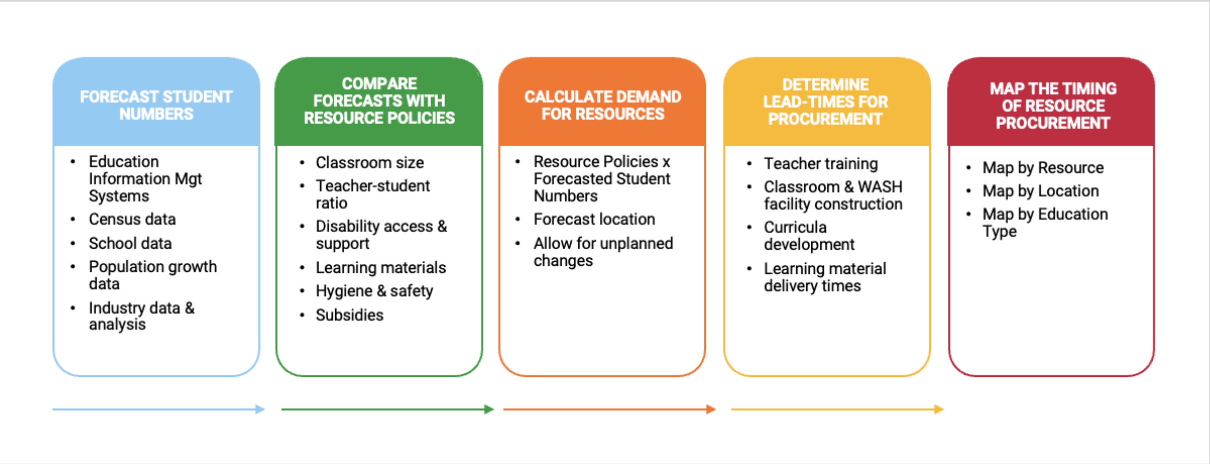
Demand for education

Forecasting demand for education services is critical in determining how limited supply is to best meet that demand and subsequently what financing strategies are to be employed. The INFF global guidance on financing needs assessment provides guidance as to how measuring this demand can be undertaken.

Whilst forecasting is critical, the ability to forecast demand varies greatly depending upon available data and resources and the skill-levels of those engaged in the process. Ministries of education typically take the lead, however other ministries (such as Health, Commerce & Industry, Agriculture) may also contain key data relating to industry specific demand.

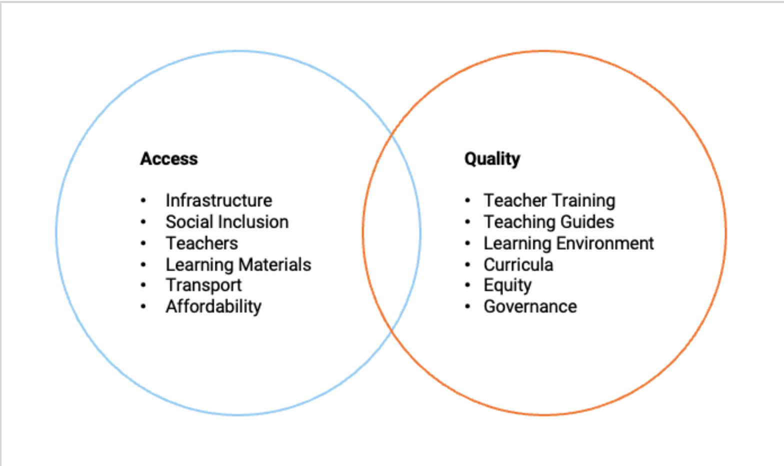
Demand for education can be expressed in terms of numbers of students for each education type and location. Once this is calculated, the resources needed to meet future demand can be determined. This is important as the provision of adequate resources, such as teachers, requires a long-lead time.

Figure 6. Meeting demand for education



Whilst there is a demand for education access, there is also a demand for education quality. Financing policymakers need to understand the desired investment in education quality and balance this with investment in education access. This balance shifts and requires regular discussion with policy makers to adjust the balance as information is received.

Figure 7. Education access vs. Quality



Dialogue with education authorities is important, as whilst the outcomes of quality can be measured (literacy and numeracy testing, industry feedback etc), the weighting of the factors that influence these outcomes can be difficult to determine and may shift over time.

Expectations

In addition to demand, planners need to understand community expectations regarding the depth and breadth of the sector. These expectations are usually founded upon:

- Past practice
- Education legislation and policies
- Political promises

Each of these must be taken into consideration to determine the expectation of education delivery, and subsequently demands upon the level and nature of education financing.

Deliberate gaps vs resource shortfalls

Once demand is understood, forecasted supply can be matched to determine gaps. This, when matched against existing financing mechanisms and commitments, provides an important component of assessing the financing landscape under the INFF building block 1.2 (assessing the financing landscape).

Gaps between demand and supply for services may be unintended or deliberate, a result of considered policy and form an integral part of the financing landscape. To avoid over or under-supply of certain skill sets, decisions can consider technological change and industry trends based on the forecasted needs of the economy. Gaps need to be assessed in terms of government policies, notably those relating to social inclusion and equity including commitments to the Sustainable Development Goals.

Demand for education financing appears inexhaustible, yet as marginal returns on education investment decline, so does willingness to invest. To help understand this, the types of finance and their features can be mapped using existing and past instruments, planned investment from different sources and the nature of household contributions to education financing.

Identifying risks

Guidance for identifying risks is provided under the INFF global guidance on assessing risk (building block 1.3), notably looking at the economic and non-economic risks. Education financing faces risks that can be broadly placed in two categories: Policy-driven Risk and Unplanned Risk (see Table 2). The different risk types usually exist in differing timeframes, which results in differing mitigation strategies.

Table 2. Education Risk Profiles

POLICY DRIVEN RISKS		
EXAMPLES	**IMPACTS**	**FINANCING IMPACT (long-term)**
• Underinvestment in Teacher Quality • Inequitable Access to Education • Inappropriate Curricula • High drop-out rates • Poor attendance • Poor governance • Uncosted policy	• Low quality graduates • Social tension • Low employability • Undereducated population • Misallocation of resources	• Less efficient economic activity • Resources diverted • Higher country risk rating for debt • Lower investor confidence, smaller tax base • Lower community tolerance for public education investment

UNPLANNED RISKS		
EXAMPLES	IMPACTS	FINANCING IMPACT (short-term)
• Conflict • Natural Disasters • Pandemics • Sudden political commitments/ policy changes • Industrial relations tensions • Adverse social trends	• Sudden, large population movement • Disrupted education • Destruction of infrastructure • Expectations exceeding capacity • Social tension	• Re-allocation of funds • Short-term debt financing • Negative impact on budget position • Fiscal strategy impacts • Under-funding of planned activities

The social contract between the state and communities' places additional expectation regarding the state's ability to continue to deliver education at a given standard regardless of the situation the State, or community, faces.

Example 1. Ambae Volcanic Erruption

In 2018, volcanic eruptions in Ambae, Vanuatu, forced the population to relocate. Schools were constructed on neighbouring islands as Ambae communities expected their children to continue schooling together to maintain social cohesion. Financing such expectations reduced tensions within both the host and displaced communities, reducing social costs from the natural disaster.

As this social contract can be a source of tension, it is important that planners identify national and sub-national risks and ensure contingency planning takes place. This is particularly important for countries that are at high risk of natural disasters or conflict.

Understanding education financing constraints

The INFF global guidance on assessing binding constraints (building block 1.4) provides guidance on the assessment of major impediments to mobilising and aligning financing. Examples of common financing constraints for the main financial contributors in the education sector include:

State — Funding as part of national & sub-national fiscal strategies

- National & sub-national government general revenue levels
- Existing and forecasted debt levels
- Policies regarding taxation, fees and expenditure
- Existing and planned development partner projects, direct budget support, scholarships and grants

Private Sector — Funding as part of corporate education investment

- Existing education investment as a portion of each sub-sector (as a measure of willingess/ capacity to invest)
- Limit of planned capital and institutional investments
- Level of corporate debt and access to finance
- Business confidence

Households — Funding as part of household discretionary expenditure

- Level and nature of household income and expenditure
- Household debt and excess borrowing capacity
- Household savings and asset mix by socio-economic status
- Demographic forecasts (notably relevant: family size and dependency ratios)

Box 3. Grouping contributors

Communities have a strong role in governance and provide some financing. It is households however that constitute these communities and bear the main financing burden that are discussed as a source of finance.

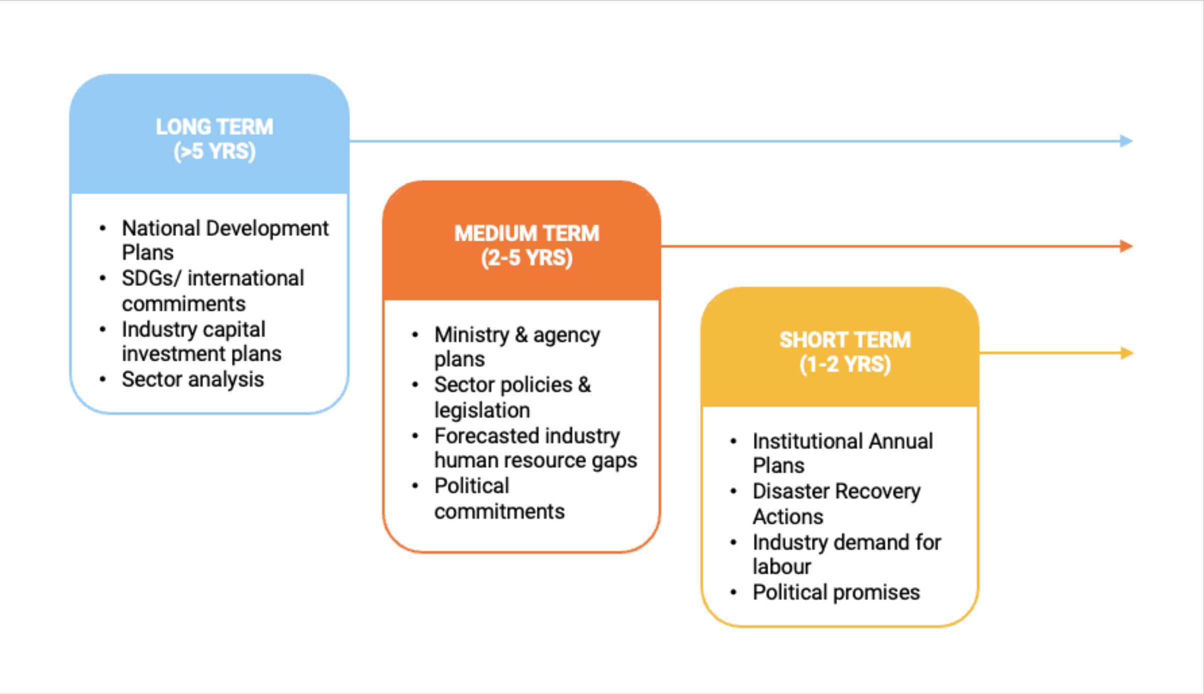
Education institutions run by religious groups are normally either funded by households or act in a similar manner to private sector service providers (primarily for basic and informal education). As such, they shall be treated as part of the private sector for the purposes of this guidance note.

3.2 Financing Strategy

Step 1. Establishing financing policy objectives

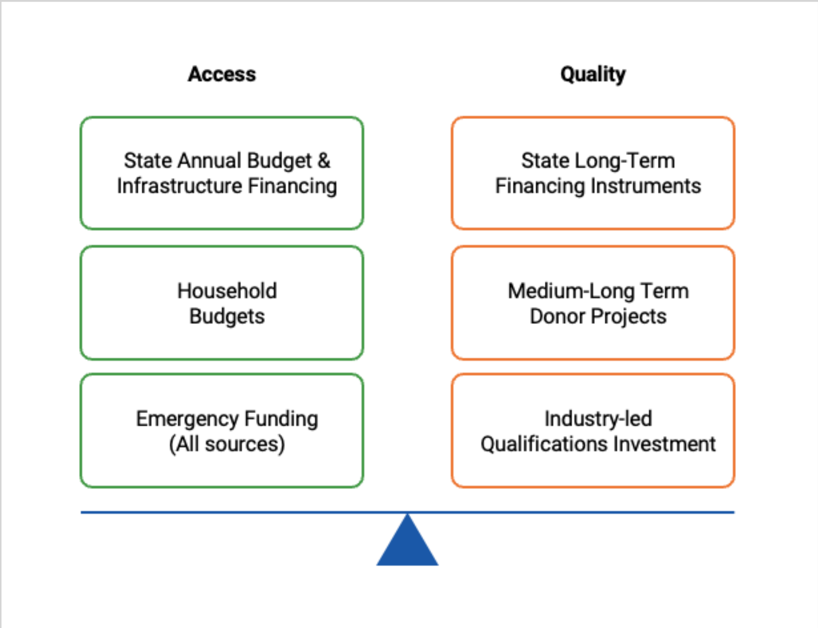
The first step outlined in the [INFF global guidance on financing strategy] relates to setting policy objectives in education, typically grouped into policies that promote access (e.g. disability, gender, infrastructure, financial subsidies) and policies that promote quality (e.g. curricula, class size, teacher training, learning materials). These in turn are reflected in long, medium, and short-term documents and instruments.

Figure 8. Common Planning Instruments



Substantive change in the education sector is usually a long-term proposition. This is partly due to the time it takes to develop structures and train new teachers, but also the time for communities to gain sufficient understanding for them to play an active governance role. This “maturation” period needs to be mapped and costed so an appropriate financing mix can support its implementation.

Figure 9. Typical Access-Quality Financing Options



Policy makers try to find the balance between access and quality that best meets the demand for education with the financing options available. Disasters often upset this balance as finances are diverted from quality towards access in the short-term. Without adequate contingency planning, this can have an impact on the access-quality balance into the medium and long term.

Box 4. Active & Inactive Policies

Education sectors often have active policies, that are funded and followed, and inactive policies which are underfunded and ignored. A simple policy mapping does not always provide this information, raising the risk of financing non-functioning policies.

Example 2. Brazil - Bolsa Familia

For over 20-years, **Brazil** has offered cash transfers to low-income families on the basis their children attend school. This payment, in return for positive social behaviour, was the first Conditional Cash Transfer, an instrument that has since become a staple part of education financing in many parts of the World.

Step 2. Identifying policy options

With the access-quality mix determined by existing and emerging policies, there is a need to determine optimal financing options for a given context (see a guide to this process on the INFF global guidance on financing strategy).

Sharing student forecasts and industry demand forecasts with non-state education service providers helps to better determine their education supply mix (access vs quality) and utilise appropriate financing instruments. This also gives donors time to consider medium to long term investment options and linked financing instruments.

Figure 10. Financing Considerations

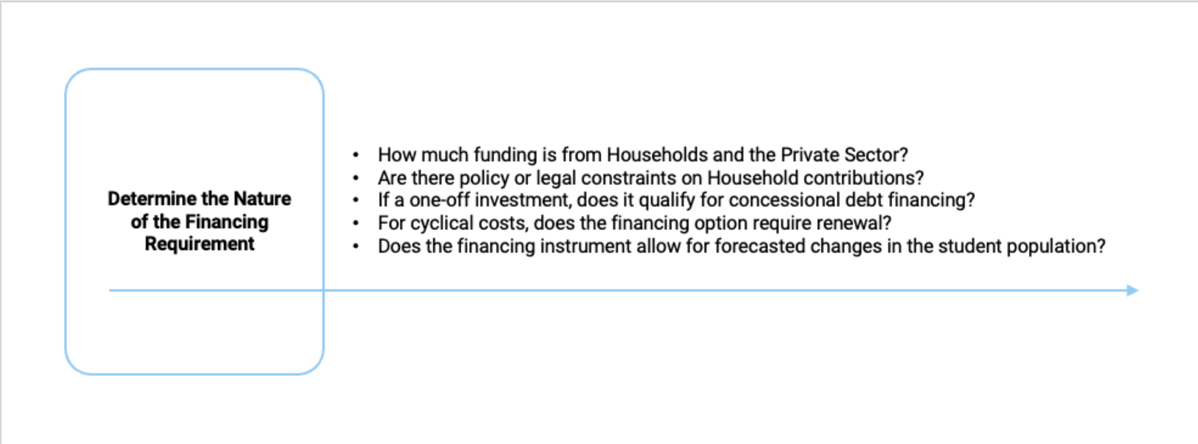
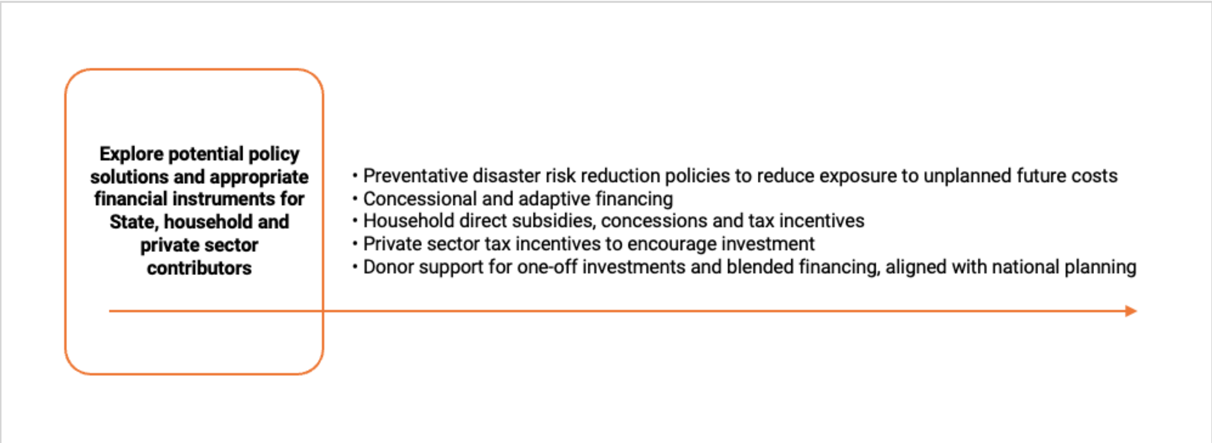


Figure 11. Common Policy Solutions



There is a need to determine policy, both existing and emerging, that will impact upon resource allocation per-student as well as the total student number and type. Planners need to ensure new policy proposals are fully costed and can be worked into the financing framework, in turn reflected in budget management tools such as the Medium-Term Expenditure Framework (MTEF). This enables policymakers to determine the extent new policies will change funding from established public funding levels and household contributions.

There are numerous innovative education financing solutions, such as conditional cash transfers and development impact bonds, that are used by different countries (see Example 2). Planners need to consider these when identifying financing options, though must take care to understand the preconditions and context that make these solutions a success or failure.

The Building Block on Financing Strategy provides a comprehensive list of cross-sectoral financing instruments, most of which are applicable to the education sector. The primary difference with the general guidance and the education sector is the role of *household financing* which can be enhanced, incentivised and guided, but rarely controlled. Table 3 outlines some of the education sector specific instruments and interventions. Policy intervention for State, household and private sector financing may include:

Table 3. Common Instruments and Interventions

AREA	INSTRUMENT / INTERVENTION
	STATE
Public revenue / Taxation	• Measurement of the Return on Investment on education investment to forecast related future changes to the taxation base • Taxation incentives for private investors in education sub-sectors which are of strategic interest to the government, or which have demonstrable high Return on Investment • Allowing education expenditure as a tax deduction on personal income
Public borrowing	• Concessional debt financing for large education infrastructure programmes, including climate-related financing which often is used for school infrastructure investment • Social/Development Impact Bonds related to education outcomes are particularly effective given the ability to objectively measure outcomes within the short-term
Development cooperation	• Direct budgetary support dedicated to finance education, including infrastructure development • Technical Assistance to strengthen capacities of public institutions, financial institutions, and education sector actors including improving teacher and curricula quality • Scholarship programmes for tertiary education

AREA	INSTRUMENT / INTERVENTION
	STATE
Public expenditure	• Education grants to non-state schools and institutions • Alternate education services for those who fall outside of traditional education pathways • Delivery of public schooling and post-secondary education services (either fully or subsidized) • Early childhood subsidies aimed at increasing female workforce participation
Public investment	• Investment in establishment of public schools, tertiary institutions and alternate education services • Public-Private Partnerships for Technical Vocational Education & Training and Tertiary Education, including material and technical support • Investment in transport infrastructure that improves access to education institutions
	HOUSEHOLDS
Household obligations	• Laws and regulations on school attendance in regard to minimum household contributions for children attending school (meals, uniforms, learning materials, transport, etc)
Household expenditure	• Instruments to incentivize at-risk households to invest in children's education including conditional cash transfers, direct cash subsidies and taxation incentives • Subsidies for household expenditure directly linked to education access (e.g., student concession cards for public transport, school canteen subsidies, text-book subsidies)
Household debt	• Regulations and instruments related to student debt, including formal higher education loan schemes and State-sponsored concessional debt financing for primary and secondary education

AREA	INSTRUMENT / INTERVENTION
	PRIVATE SECTOR
Enablement	• Legal frameworks to protect industry standards and qualifications • Legal frameworks for private financing of development impact bonds and associated outcomes-based instruments
Incentives	• Tax incentives for investments contributing to achieving national development goals in education, including investment in industry specific TVET • Blended financing options for high-risk investments and to assist in transition from time-bound financing for development to ongoing financing

Example 3. Quality Education India Development Impact Bonds (QEI DIB)

The QEI DIB aims to improve education outcomes for over 200,000 primary school students over a four-year period from 2018 to 2022. Like all impact bonds, tranches are linked not to inputs, but directly to education outcomes. The nature of the investment was tailored to the specific environment of four different regions, with immediate positive results that could be objectively measured. An interest rate of up to 8% was received by investors when outcomes were achieved, which contributed towards the mobilisation of private finance.

Beyond improving access and quality, it is crucial that education financing instruments are designed in a way to address the challenges of equity and promote equitable financing, as prioritized by UNICEF.[1] Within low-income countries, the public education resources received by the richest child is nearly four times of that received by his poorest peer. To promote equitable financing, national governments can:

- Support pro-poor budgeting to ensure at least 15% of national education expenditure reaches learners of the poorest 20% of households;
- Prioritize public funding to lower levels of education where the poor and marginalized are better represented (at least 10% of government education expenditures should be spent on early childhood education);
- Monitor and ensure equitable education aid allocation in developmental and humanitarian context between and within countries.

Step 3. Policy prioritization

Step 3 is further detailed in the INFF global guidance on financing strategy and includes tools to analyse trade-offs and risks associated with different policy options. Explicit trade-offs in education financing differ from other sectors, particularly due to the social contract between parents and their children. It is this contract that drives household education financing to higher levels rather than regulations or policy. Examples of analysis of policy options follows in the table below:

Table 4. Explicit Trade-Offs in the Education Sector

TRADE-OFF	RISK	RISK MANAGEMENT
	STATE	
Access vs Quality	Imbalance resulting in sub-optimal returns, lower fiscal	Clear, achievable targets with regular review. Appropriate introduction of transformative technologies
Destination of Debt Financing	Opportunity Cost of Investment	Calculation of fiscal, macro-economic and social returns, access to education specific concessional debt
Budgeted Contingencies vs Emergency Funding	Funding not utilised	Pre-agreed usage of non-utilised balance at Year's end
Aid Funding vs General Revenue	Investment in areas of sub-optimal return that do not meet State objectives	Donors being closely tied to State education sector planning instruments
	HOUSEHOLDS	
Education expenditure vs other expenditure	Underinvestment in education perpetuates socio-economic conditions	Calculation and dissemination of information on the private returns to education
Level of investment between children	Perpetuation of undesired social inequities	Awareness campaigns and supporting policies

TRADE-OFF	RISK	RISK MANAGEMENT
	HOUSEHOLDS	
Long-term vs short-term returns	Households unable to invest in education due to short-term fiscal constraints	Subsidies for low-income households, free/low-cost education, concessional household/personal debt
	PRIVATE SECTOR	
Education investment vs alternatives	Reduction in education service delivery investment	Tax incentives, transparency related to long-term state policies and plans
Investing in specific skills vs importing skills	Reduction in quality domestic employment opportunities	Legal recognition and enforcement of industry-led qualifications, tailoring of secondary school curricula
State policy vs demand for alternatives	Schools lose students who are seeking an alternative education, deterring continued investment	Flexibility in adherence to State policy in select areas

State financing strategies can have a catalytic effect on other sources of finance, particularly households due to the social contract between parents and children. Planners need to combine this catalytic effect with the nature of the financing required, as the social contract between the State and communities creates expectation of continuation. Planners need to consider:

1. What incentives are required to promote non-State education financing?
2. How do shorter term aid and debt finance initiatives transition to general revenue/user pays education services in the long-term?
3. The timing of the roll-out of policy options to ensure systems are not overwhelmed, nor have policies negate each other due to competition for finances.

Step 4. Operationalisation

The final step outlined in the INFF global guidance on financing strategy involves defining actions, timeframes and sequencing related to prioritized policy measures as well as who should be responsible and consulted. In the education sector, the cyclical nature of expenses allows for two distinct phases of financing to be considered: Development and Ongoing.

Figure 12. Changing Nature of Investment

Development | Short-Medium Term

- Dedicated financing with set objectives within a set time-frame is suitable. This allows for debt, grant aid and other time-bound instruments to be utilised.
- Subsidization for households and the private sector may be required due to their low tolerance for financing unproven investments.
- Competition for finances at this phase is generally low and often involvement of financial experts is minimal, with an emphasis on education technical engagement.
- Education specific concessional financing may be available from multi-national institutions. Climate resilence financing should also be explored, as schools are often the centre of community disaster risk reduction strategies.

Ongoing | Long Term

- Financing with a long tenure is sought. Funding from public revenue and user fees are more appropriate during this phase.
- Subsidization can be targeted for those households that are unable to meet new financing burdens. This will vary depending upon the size of the burden in relation to household discretionary expenditure levels.
- Incentives for private sector investment will depend upon the response of the private sector once they have an opportunity to assess the risk-return profile of new initiatives.

It is important to remember that as education reforms take time to operationalise, the number of students continues to change. Financing for new initiatives must consider the forecasted levels of demand if the desired level of education quality is to be reached.

Planners need to be aware that in the long-term there will be a transition from dedicated financing instruments towards national budget and user-pays. This may involve a period of blended financing, however eventually State funding, households and private businesses will contribute directly in an ongoing fashion. Planners need to understand the level of tolerance from households and the private sector for additional education investment.

This eventual burden upon general revenue needs to be included in long-term fiscal forecasts, without which education investment risks failure once time-bound financing instruments reach the end of their life. This is a common experience with education aid grant funding and debt, where a commitment for long-term financing from general revenue was not sought prior to investment, nor the additional burden on households and the private sector adequately assessed.

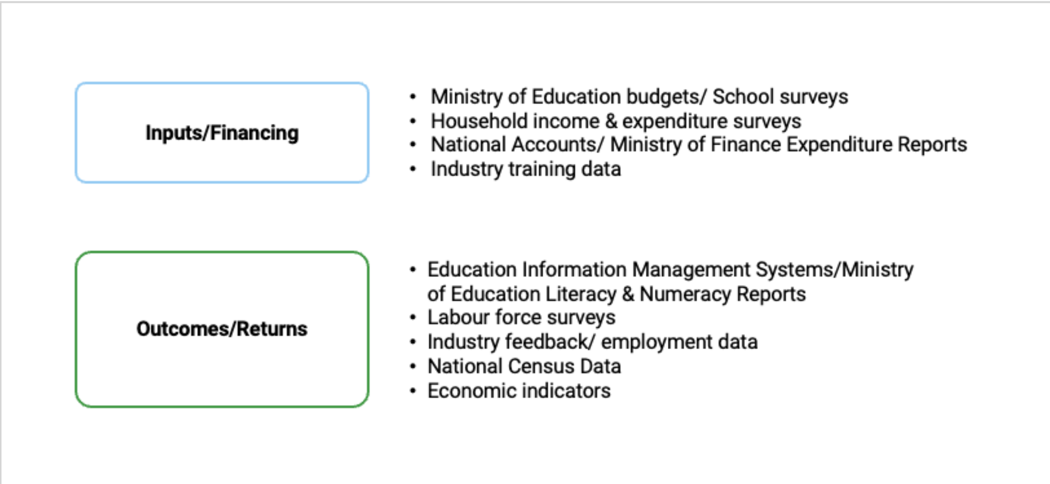
3.3 Monitoring and Review

The education sector often has robust outcome monitoring, particularly in relation to qualitative monitoring. Linking financing modalities with such outcomes is usually less well undertaken. The steps below are further detailed in the INFF global guidance on monitoring and review.

Step 1. Establishing a Baseline

As detailed in building block 3.1, the first step is to determine what is available. Fortunately, the education sector usually has a number of options.

Figure 13. Inputs and Outcomes



This baseline should include a measure of education sub-sector investment levels. As different aspects of education financing act relatively independently, overall investment between sub-sectors is likely to shift over time, risking a sub-optimal investment mix if not managed.

As highlighted in the 2022 Call to Action on Educational Investment, governments at the national level should track and report on educational investment and its results in a disaggregated and systematic way, to make sure educational investment is equitably distributed, with special attention to those most vulnerable. Integrating gender responsiveness into public expenditure monitoring will help identifying the effects of education spending on girls and boys, and thus provide guidance on how to best reorient spending to redress imbalances and restructure expenditures to promote gender equality.

Step 2. Strengthening systems and closing gaps

Global guidance on building block 3.2 provides guidance on strengthening systems. In the education sector, a common weakness is the breadth of stakeholders engaged in monitoring. Too often, the stakeholders most often engaged are State suppliers of education services and international donors. Communities, who can act as a conduit for households, and the private sector must also be engaged given their role in education financing.

Table 5. Groups Typically Engaged in Education Sector Governance

STATE	COMMUNITIES	PRIVATE SECTOR	DONORS
• Ministry of Education • Associated Ministries • Schools • Ministry of Finance	• School Councils • Education NGOs • Interest Groups • Public Feedback	• Industry Groups • Chambers of Commerce • Education Service Providers	• Donor Coordination Mechanisms

Mechanisms that do not include these groups need to be reviewed, and often invested in, to ensure the links between education financing and education outcomes are understood. The risk of not doing so is to overstate the impact of State finance mechanisms on education outcomes, resulting in a poor assessment of any given financial instrument's efficacy.

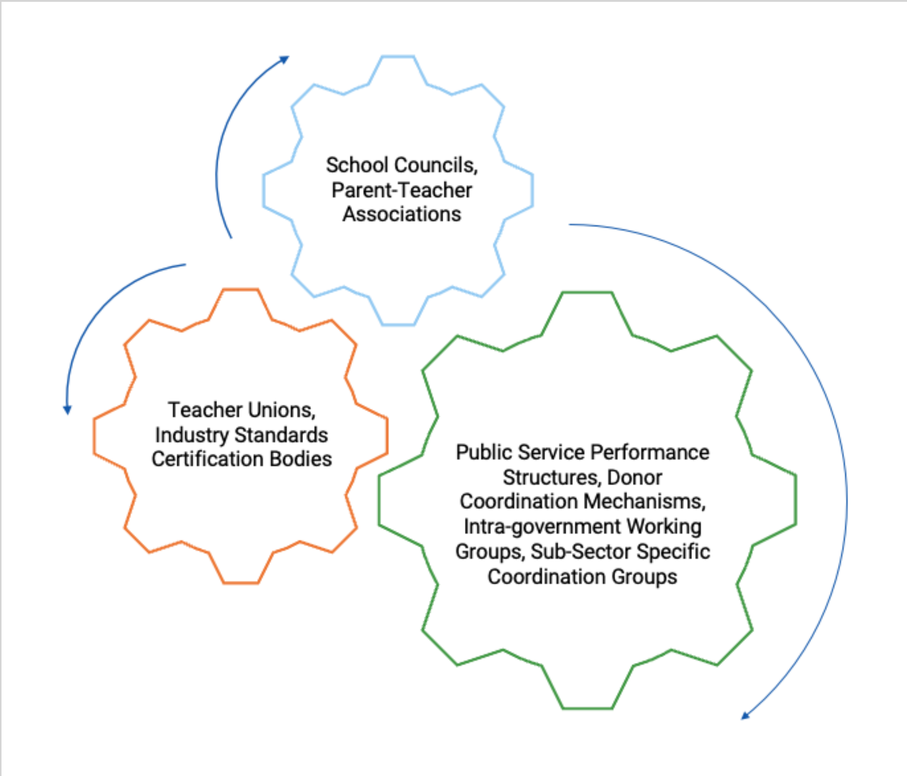
3.4 Governance & Coordination

INFFs need a strong political backing and broad-based country ownership, which calls for governance and coordination mechanisms situated at a high level of government and engage all stakeholders in a consultative process. Such mechanisms guide the entire INFF process and provide a range of tools, including safeguards, screening tools, coherence checks, mainstreaming and incentives for inter-ministerial coordination. These can help facilitate the coherence of financing policies and support effective delivery. The steps below are further detailed in the INFF global guidance on governance and coordination.

Step 1. Identify and assess existing governance arrangements

The education sector often has well established governance and coordination mechanisms. These are usually at the community level and at the national level. Such mechanisms may be less robust, or absent, in the private sector which is often industry-specific focused; mining companies looking at engineers, banks at accountants etc. Often such governance and coordination mechanisms are enshrined in industry quality standards certification bodies.

Figure 14. Common Governance Mechanisms



Example 4. Donor Coordination in Kaduna

In 2021 the Ministry of Education in Kaduna State, **Nigeria**, developed the Education Sector Donor Coordination Framework to ensure donor programmes supported the policies and plans of the State government.

This included citizen engagement platforms, so the critical aspect of household education financing was incorporated into coordination efforts, ensuring donor financing played a positive role and did not inadvertently hinder this important source of education finance.

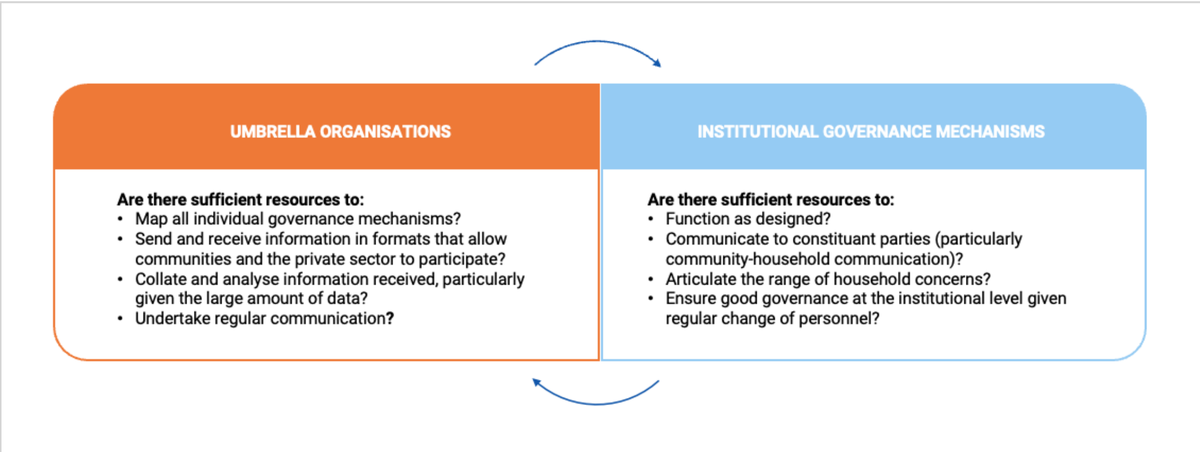
These groups are not only a source of governance and coordination, but also a source of information on emerging trends and innovation within the education sector.

Information on industry-led education governance mechanisms can often be found in a State's *qualification agency*. This is the agency that sets minimum standards for various industries, and as such works closely with industry groups.

Gaps in education sector governance and coordination mechanisms

Education governance and coordination mechanisms may be well established, but their scope may also be limited. This is usually a matter of geography (a school council will only be concerned with the immediate catchment area) but can also be related to the subject (the plumbing industry focus on plumbing apprenticeships). The sheer size of the education sector means that the number of such governance and coordination mechanisms is extremely large and can appear daunting.

Figure 15. Governance Mechanism Considerations



As many of these governance and coordination mechanisms are well established, the most common gap is one of *communication*. Planners need to ensure that investment is made not just in education services, but also in their governance.

State planners usually deal with umbrella organisations. It is important to ensure these are properly resourced to undertake their coordination function and that these umbrella organisations understand the governance capacity and constraints of associated institutional governance mechanisms (e.g., school councils, Plumber and Drainlayers Associations, Chartered Practicing Accountant Association), and can provide guidance on gaps and appropriate financial support to address these.

Step 2. Enhance coherence of existing education sector governance and coordination mechanisms, close gaps if needed

The devolved nature of education sector governance and coordination can make the delivery of relevant financial information problematic.

Expressing financing in terms of resource allocations per student/education institution and linking this to policies that determine these allocations allows for more informed decision-making by such bodies as well as more useful feedback. This is partly as many experts in the sector are often uncomfortable with financial data, but have a strong understanding of the linkages between resources and education outcomes.

The exception with this is in relation to families, for whom school fees and associated contributions have direct impact upon household budgets.

Planners should ensure that information is shared as early as possible, as a well governed sector needs to be well-informed, resulting in higher returns on education investment.

Endnotes

[1] See UNICEF's Transforming Education with Equitable Financing for measurements of equitable financing for 102 countries and territories, as well as detailed key policy actions governments and stakeholders must urgently take to respond to equity challenges and transform education with equitable financing.

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