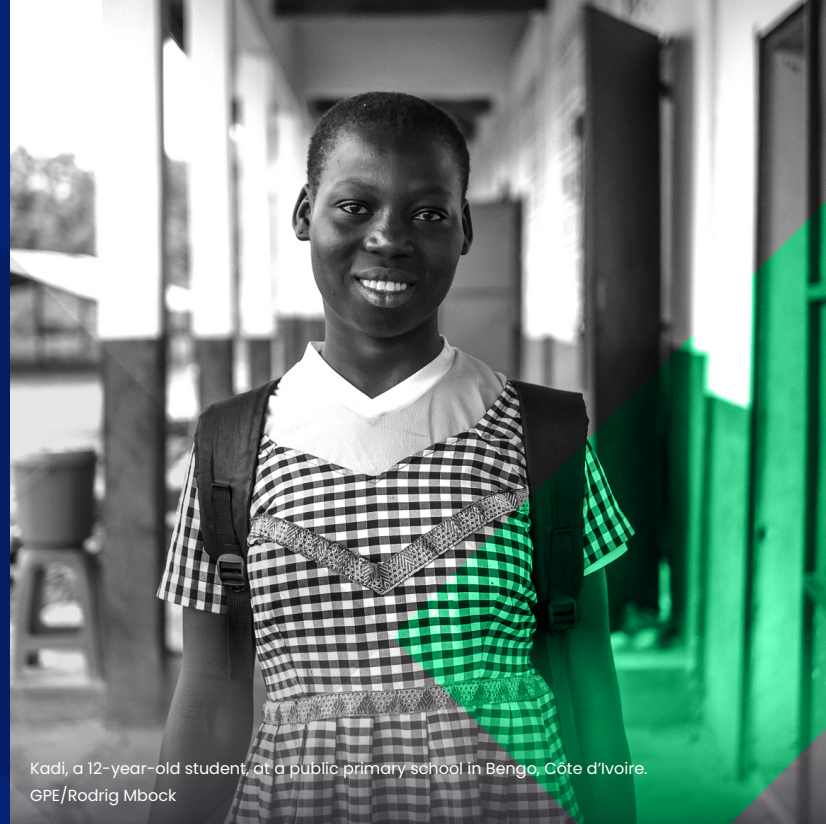


DEBT2ED



Kadi, a 12-year-old student, at a public primary school in Bengo, Côte d'Ivoire.
GPE/Rodrig Mbock

Debt2Ed transforms partner country debt into new investments for their education systems while mobilizing additional grant financing from the GPE Multiplier.

THE CHALLENGE

With national budgets reeling from the impact of the COVID-19 pandemic, climate change, increasing debt and deepening levels of poverty, education budgets are under major strain. Since 2020, in nearly half of all lower-income countries, education budgets have been cut on average by 14 percent. Among GPE partner countries, more than 30 spend the equivalent of at least half of their education budget on debt service repayments.

Now more than ever, there is a need to expand available financing for education through innovative approaches to get more children in school and learning. Innovative education financing can broaden available resources for education and how they are used, but this approach needs to be implemented at a large scale to address international challenges.

GPE APPROACH

Debt2Ed is a **new approach to transform debt into investments in education**. It reduces the debt burden, lowers the cost of borrowing and enables more efficient spending for education programs.

Part of GPE's broad range of innovative finance instruments, Debt2Ed allows GPE to bring together and pool funds from a diverse range of cofinancing partners, mobilizing new and additional resources for partner countries.

Through Debt2Ed, GPE strives to increase the amount of education funding for partner countries that would not otherwise be available.

ELIGIBILITY

All countries and territories eligible for GPE support in 2021-2025 can access Debt2Ed.

HOW IT WORKS

Debt2Ed transforms partner country debt service repayments into investments in education through either a debt swap or a loan buy-down. Both transactions involve a creditor entering into an agreement with a partner country. Partner countries then benefit from either lower total debt or debt service payments, and creditors create a new channel for international spending on education, helping to meet the United Nations Sustainable Development Goal 4.

Debt2Ed transactions also unlock additional grant financing from the [GPE Multiplier](#), increasing available resources for education programs within the partner country.

- ▶ For a **debt swap**, the creditor agrees to reduce debt service payments on an existing loan and the partner country commits to investing the equivalent funds in its education sector.
- ▶ For a **loan buy-down**, the creditor—or a third party—pays the interest and/or the principal on a loan on behalf of the partner country, and the partner country invests the equivalent funds in its education sector. The loan buy-down can be conditional on mutually agreed targets, such as achieving better results in access to education or implementing policy reforms.
- ▶ Agreeing to a debt swap or buy down and the investment of equivalent funds into a partner country's education sector immediately mobilizes additional funds from the GPE Multiplier.

CÔTE D'IVOIRE

Côte d'Ivoire has been a GPE partner country since 2010 and has received US\$121 million in GPE grants to date, with nearly US\$120 million more to be leveraged through innovative financing mechanisms in 2023. France and Côte d'Ivoire have agreed to a debt swap through Debt2Ed valued at US\$77.1 million to be channeled towards Côte d'Ivoire's education system. This has unlocked a GPE Multiplier grant of US\$40 million from additional cofinanciers.

Côte d'Ivoire will continue servicing its debt to France in accordance with the debt payment schedule as agreed with its creditor France. As soon as the repayment is made, France will transfer, through Agence française de développement, the equivalent amount to Côte d'Ivoire in the form of a grant. The grant will be deposited in a dedicated account in the Côte d'Ivoire Central Bank. Through the debt swap, US\$77.1 million will be dedicated to education programs.



A teacher and her students in class at the community preschool in Nambirghékaha, Côte d'Ivoire.
GPE/Rodrig Mbock