Introduction
This paper sets out the overall ambition, challenges, opportunities and possible solutions for tackling the crisis in education financing in respect of the SDG 4 achievement. Addressing the gaps in education financing requires policy actions in three key areas: (1) mobilising more resources, especially domestic, (2) increasing efficiency and equity of allocations and expenditures, (3) improving education financing data.

This paper builds upon previous global commitments on education financing building around the UN 2030 Agenda and SDG 4, which set out a universal rights-based agenda for a new social contract for education around lifelong learning for all through all strands of education, made more urgent by Covid-19 and conflict. This agenda is supported by multilateralism and accountability around commitments, including:

- The 2021 Paris Declaration, including the Head-of-States Call to Action on Education Finance, from the Global Education Meeting affirmed: ‘Education is an investment that requires sustainable funding. We recognize that domestic resources – particularly through tax revenues – are essential and remain a primary source of funding for education.’ – adding that raising ‘more revenues to increase education budgets’ would require ‘measures that strengthen the design and the equity of the tax system, as well as through innovative financing measures’, and reiterated commitments to allocating at least 4-6% of GDP and 15-20% of public expenditure to education, and for donors to provide 0.7% of GNI to ODA.

The paper also recognises the importance to education financing of other key reference points including SDGs 16.4 on illicit flows and 17.1 on domestic resource mobilization. Crucially, it is are inspired by the vision of the UNSG’s ‘Our Common Agenda which urges a deepening of solidarity and the ‘renewal of our social contract, adapted to the challenges of this century, taking into account young people and future generations and complemented by a new global compact for education.’

Context
Despite significant increases in education spending over the last 15 years, reaching the SDG 4 targets will require significantly increased financial resources. It is estimated that as much as $200 billion
additional education finance (pre-covid) is required annually to get the world on track for SDG 4 achievement by 2030. Over the last decade, global education spending has grown steadily. However, households still cover significant proportions of spending, especially in low-income countries. In many countries, the spending growth has been accompanied by high population growth that will continue to put significant pressure on developing countries’ education systems and government budgets over the next 30 years.¹

Among the population most affected by inadequate financial resources for education are 128 million children and youth, girls, and women especially, whose education is disrupted by humanitarian crises, up from 75 million before the Covid-19 pandemic shock.² For instance, the average annual cost of providing education to all refugee students in low, lower-middle and upper-middle-income host countries is estimated to represent US$4.85 billion.³ Similarly, millions of girls across the globe have paid the highest price of the COVID-19 pandemic: dropping out from school because they may be caring for others, forced into child marriage, or exposed to increased gender-based violence.⁴

Governments are the largest funders of education in all country income groups. Funding for education as a share of national income has not changed significantly over the last decade for any country income group.⁵ Prior to the COVID-19 pandemic, it averaged 3.5 percent of GDP for low-income countries and 4.3 percent of GDP for middle-income countries.⁶ However, according to a March-2022 survey of 122 countries, only one third of countries have increased public resources for education as compared the previous school year, and it is very alarming that, among countries with more than 20 weeks of full school closures, a quarter reported a decrease in budget.⁷ Countries also face additional costs of reopening schools and keeping them open safely in the face of shrinking economies and growing debt burdens.

In a growing number of countries, debt servicing is consuming a greater share of spending than education.⁸ Low tax-to-GDP ratios can also mean that governments who allocate a fair share of national spending to education still lack the necessary resources. Wider macroeconomic policies like budget austerity can also affect spending on education, particularly with regard to addressing teacher shortages when constraints are placed on overall public sector wage bills.⁹ Budget austerity might exacerbate disparity, as households in low-income countries tend to pay more (compared to income) for

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² ECW. 2021. Delivering Quality Education to Children and Youth left furthest behind in crisis.
⁶ Ibid
⁷ Ibid.
education. High levels of household spending is a very regressive and unfair way of financing education. Governments also tend to spend less on education for poorer households – the public education spending on a child from the poorest 20% of households is only a quarter of that on their peer from the richest 20%. Official Development Assistance (ODA) accounts for approximately 2 percent of education spending in lower-middle-income countries and 18 percent in low-income countries. Education receives large allocations from private philanthropy, but considerably less than health and very small in relation to public allocations.

There are compelling moral, social and financial arguments in favor of protecting core education resource allocations (domestic and ODA) at all times, including during a recession; while aiming at delivering increased financial commitments. The COVID-19 pandemic has exacerbated the challenge of inadequate national educational budgets and flatlined ODA commitments, jeopardizing the achievement of the SDG4 targets in many, and often the most vulnerable countries. Countries allocated on average 3 per cent of their COVID-19 stimulus packages to education. In low- and lower-middle-income countries, the allocation was less than 1 per cent. The share of ODA allocated to education fell from 8.8 per cent in 2019 to 5.5 per cent in 2020, and, and the share of humanitarian aid given to education was cut from 2.9 per cent in 2019 to 2.5 per cent in 2021.

Synergies and alignment across Action Tracks and their sub-themes
The Finance Action Track 5 is conscious of the need to listen to and engage with each of the other action tracks. The recommendations from each of these tracks will be important for determining what it is that needs to be financed and the financing mechanisms that will be most effective. It is already clear from discussions with other tracks that a priority needs to be placed on long term, sustainable and predictable financing. Priorities and decisions on investments should be context-driven and decided by countries themselves in ways that are (i) evidence-informed, (ii) consistent with the principle of the ‘right to education’; and (iii) focused on outcomes and cost-effectiveness.

What does the transformation look like?
In the context of a massive global education financing gap, the recovery from COVID-19 and constrained budgets, the transformation in the first instance is to rapidly reverse the current downward trend for domestic and international resources for education. In the medium term, transformation is reaching the condition whereby countries have significantly increased and

10 Ibid.
sustainable financing for achieving SDG 4 and that these resources equitably and effectively allocated and tracked in practice.

The framework below offers a way to identify key opportunities for transforming education finance in the short, medium and long-term, taking a country-specific and whole of system view.

A combination of actions in the following areas is essential if countries are to deliver the financing for SDG 4 and these could form the foundation of a new global compact on education financing to be launched at TES:

**ACTION AREA 1: Mobilising more resources**

The volume of resources raised for education is not adequate. As the framework above illustrates, public money for education comes principally from domestic revenue and this should be the primary focus. Long-term, improving growth will determine domestic resources available for public spending, with important roles for macroeconomic policies and fairer global trade and investment regimes. There is an urgent need to increase fiscal space for spending on education and the international community can play an important role in helping countries to achieve this. This will need to be complemented by improvements to the efficiency and equity of education allocation and spending in most countries to persuade Ministries of Finance and taxpayers that additional resources will be well used. Below are some of the key areas where transformative action could be taken before, during and after the Summit, so that education financing is transformative and inter-connected, working with other sectors and processes to make strategic breakthroughs.
• **Action on Tax**: Increasing **tax to GDP ratios** by five percentage points by 2030 is an ambitious but reasonable target in many countries, and an essential component of funding SDGs.\(^{16}\) This would allow a doubling of spending on education and health (and more in most countries). In the context of a cost-of-living crisis there needs to be an emphasis on **progressive taxes** – ensuring the burden falls on those who are most able to pay (the income and wealth of the richest individuals and companies). There is growing recognition of the need to raise taxes in **gender-responsive** ways to support gender-responsive spending on education. National actions in this area need to be matched by **international action** to agree a global asset register, reduce illicit financial flows, stop capital from lying idle in tax havens and support a representative and inclusive UN process for setting global tax rules (a UN convention as called for by **African Ministers of Finance** in May 2022).

• **Action on Debt servicing**: Taking bold international action on the debt crisis and global debt architecture so that debt servicing does not prevent countries expanding their spending on education. Too many countries spend more on debt servicing than on education (or health) but most debt is now with private banks. What can the UN, IMF or World Bank do to negotiate an agreement for debt to be written off or for interest rates to be significantly reduced where governments commit to increasing their social spending on education and health? The urgency of action on debt in order to finance education could not be clearer and the TES needs to include a bold statement that accelerates urgent action on debt renegotiations for countries in debt crisis. Any country that spends more on debt servicing than on education ought to be prioritised with access to a new debt workout mechanism.

• **Action on deficit financing**: The Public Development Banks or the Multilateral Development Banks with established concessional credit cycles (such as IDA from the WB) and established education financing facilities (such as GPE), bilateral partners, and private institutions stand to gain significantly from further improving alignment of combined funding, and joint implementation modalities, in support of national education investment priorities. This means concessional lending for education from available finance, matched with grants designed and delivered through debt relief mechanisms for creating longer term fiscal space in Government balance sheets, stimulating additionality from public resources allocated to education. Such a financing compact must build on existing operational modalities of the coordinating institutions, target the most marginalised countries where learning poverty is high and where households carry a disproportionate brunt of education spending fueling inequality. Public Development Banks are increasingly streamlining social investments in their investment portfolio\(^{17}\). Such mechanism would facilitate their inclusion in education policy dialogue and

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\(^{17}\) See also [https://financeincommon.org/](https://financeincommon.org/)
a greater share of their social investments in the sector. The International Financing Facility for Education is another example of a financing vehicle that aims at raising funds for supporting education, leveraging regional banks. Increasing concessional finance (as the ADB have also committed to, increasing the percentage of its portfolio for education from 5% to 10%) is an additional approach that could raise complementary funds for lower-middle income countries. New or reallocated Special Drawing Rights could provide relatively short- or medium-term boosts to financing of education and health.

- **Action on climate finance**: There is a compelling case for earmarking climate finance for education. Education and skills development will be critically needed to manage social and economic effects of transitioning from a fossil fuel driven energy system to one primarily based on renewable energy. Lifelong learning will be of particular importance for helping people and governments to adapt to the challenges of climate change, learning new skills and becoming active global citizens with the knowledge and abilities to change livelihoods and lifestyles to contribute to sustainable development.

- **Action on Budget Shares**: Where governments are still falling short of allocating 15-20% of national budgets to education renewed commitments should be sought and progress towards these should be closely tracked, linked to recent commitments such as the Kenyatta Declaration. Too much focus on budget shares sets education up in competition with health and other sector – whereas social sectors should focus on finding common ground (as is the case for example with action on tax or debt.

- **Action on Austerity**: Related to budget shares, and especially in the context of recovery from Covid-19, supporting countries to lift public sector wage bill constraints would in some cases facilitate increased budget allocations to the education sector, especially in countries with teacher shortages and growing populations.

- **Action on Perceptions**: Shifting the view of Parliament and Parliamentarians, Governments and Ministries of Finance, that see education as pure ‘consumption’ and helping them to factor in the long term returns to investment in education within short term economic and political cycles. Recent research indicates that doubling investments in education, health and social sector could create up to 269 million new jobs by 2030. It also indicates that investing in early years of education and moving towards universal, high-quality, affordable health, education and child care system has a potential return to society of up to USD17 for each dollar invested.

Education investments support reduced inequality, poverty (including for children) and welfare.

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18 Secretary-General’s Policy Brief “Investing in Jobs and Social Protection for Poverty Eradication and a Sustainable Recovery”
dependency; equalize educational opportunities; increase gender equity and broader tax base\textsuperscript{20}. In some countries, each year of education effectively completed corresponds to a direct increase of 7\% to 15\% of the population’s revenues\textsuperscript{21}. However, more research and evidence-based advocacy are needed to further investigate the short-term and longer-term returns from investing in education and socializing the findings to different audiences including parliamentarians and ministries of finance.

- **Action on Dialogue** between Ministries of Education and Ministries of Finance on strategic financing issues that affect education is needed – so is a similar dialogue at global level to have the education community proactively engaged with a voice in key global negotiations affecting tax, debt and austerity. New processes practices and incentives that lock in a new form of dialogue nationally and internationally will have to be sought, including greater collaboration between ministries of finance and ministries of education.

- **Action on Aid**: Building on 0.7\% of GNP commitment and increasing the share allocated to education in the countries that most need it, in line with national commitments on the share of budgets (15\%-20\%) allocated to education. TES should be the moment for a fundamental reassessment of the crucial role of education within aid budgets, reflecting the public opinion in most donor countries that education (and health) are the top two priorities for aid spending.

TES can transform the education financing landscape by seeking new commitments in each of the areas above and crafting a **global compact for education recovery** that connects increased domestic commitments with additionality and conditionality in international aid. This new compact would also need to include commitments to improve the equity and efficiency of education spending and improve financing data – as outlined below.

**ACTION AREA 2: Increasing equity and efficiency of allocations and spending on education.**

The credibility – in the eyes of Ministries of Finance, political leaders, and taxpayers – of additional resources and a new global compact on education financing depends on ensuring that new resources will be effectively allocated and spent. This means allocating and spending resources efficiently and equitably through the PFM system in ways that drive progress towards education goals, including on teachers, teaching and learning materials, curriculum and assessment reform, educational institutions (and their regulation), programmes to support access, programmes to support learners at home, and crisis response (e.g. to Covid-19 or to those affected by conflict). The productivity of allocations (i.e. how well allocations translate into outcomes) is driven by systemic issues, in particular effective education

\textsuperscript{20} WHO, “\textit{Investment for health and well-being: a review of the social return on investment from public health policies to support implementing the Sustainable Development Goals by building on Health 2020}”, Dyakova M, Hamelmann C, Bellis MA, Besnier E, Grey CNB, Ashton K et al., 2017

\textsuperscript{21} AFD, groupe Education/Employabilité de l’Alliance Sahel. Data for Chad, Burkina Faso and Niger
planning and management, and the use of resources to maximise the alignment around core education goals of teachers, teaching and learning materials, curricula and assessments, the management of public education institutions and the regulation and possible financing of and private institutions, and support to learners to access education through institutions or at home.

In every country, Ministries of Education and Ministries of Finance must be supported to identify and address inefficiency and inequity in existing and new spending, in order that in each country the case for and use of additional education resources is compelling – and does not catalyse more inefficiency (including leakage). TES must champion the development and effective deployment of initiatives that help Ministries of Education and Finance to do this, for example by providing ‘toolboxes’ with a range of products and methods for doing using them in context-relevant and robust ways.

- **Action on Levels of education** (early childhood through primary, secondary, tertiary, vocational, adult). SDG4 includes commitments across the full range of levels. Most countries commit the majority of resources to primary and secondary education but perhaps inevitably spend more per-student at tertiary level. A principle of progressive universalism would prioritise public investment towards achieving universal and equity-sensitive early years education, where poorer children are most represented. Then, gradually increasing allocations to higher levels when coverage is close to universal at lower levels, with a continued focus on the poorest and most vulnerable children. There is increasing consensus on the importance of early childhood education which can be transformative for enhancing equity at other levels – but in many countries provision is fragmented, often private rather than public, and subject to fees which exclude those who could benefit most. Adult education is often deprioritised by governments but in the framework of changing economies and societies, may need renewed attention within the framework of lifelong learning – particularly where large numbers of adults missed out on basic education as children. There is an inter-dependency between investments in different levels of education which mean a systemic education sector approach to planning and budgeting is of crucial importance.

- **Action on Expenditure classifications** (recurrent, salaries, capital). The largest functional expenditure allocation in most education budgets – almost always over 75% and often over 95% – is to salaries and allowances. This makes it hard to increase education spending when constraints are put on the overall public sector wage bill. Allocations to maintenance, learning materials, or capital investments are typically very low, especially in low-income countries – where these are more often supported through aid and loans. Ensuring that each dimension of an education system is carefully considered in education sector plans and budgets is key – with

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22 UNICEF, Financing Education Recovery: a Piece of Cake, to be published
government setting clear priorities for everything from spending on teachers and professional
development to investment in teaching and learning materials, curriculum and assessment
reform, educational institutions (and their regulation), specialist programmes to support access
and crisis response. Well-designed programmes in each area will be necessary to ensure
resources are allocated and used effectively.

- **Action on geographies** (internationally and within countries). Resources are often
  concentrated in urban relative to rural areas and to more affluent provinces or districts where
  there is more active citizen oversight / public pressure. Investing equitably across a country
  should be a priority. This is equally important for aid allocations that continue to concentrate in
  relatively few countries, based on historic or colonial relations rather than need. Compared with
  bilateral aid, multilateral aid, especially through GPE and ECW, has been more successful in
  reaching the lowest income countries and those most in need.

- **Action on excluded groups**. In every country there are clear categories of children who
  are more likely to be excluded from education, whether because they are girls or children with
  disabilities or they come from remote, minority, migrant or refugee communities. Tracking the
  equity of spending per student for those most disadvantaged groups, using tools such as
  Beneficiary Incidence Analysis, can be transformative – as can the recognition that some groups
  with need significantly higher per-student spending to be given an equal opportunity in
  education (most notably children with disabilities). Disaggregated data and an intersectional
  approach are crucial for enhancing equity. There is an important inter-generational dimension
  here with children from non-literate households needing more support and higher budgets –
  and well-designed inter-connected programmes within their communities. The decentralisation
  of resources can help more efficient and nuanced investment so long as the central State
  continues to place a strong redistributive role to support more disadvantaged geographies. With
  increasing levels of conflict particular attention is needed to support access to learning for all
  those affected, whether within national borders or across them – and international cooperation
  can play an important role to respond rapidly to changing contexts.

- **Action on linking sector planning and budget programming**: Ministries of Education
  report that linking sector plans to budgets and ensuring effective measurement of results are
  major challenges. Ensuring that education plans have clear and realistic financing strategies with
  robust cost and revenue productions would be an important step where this does not exist.
  Careful deployment of a set of tools such as Public Expenditure Reviews, planning including
  financial projections such as SimuEd, incentive and operational support such as the GPE’s
  operating model and capacity grants, and sensitive technical assistance can help improve the
  robustness of the education financing strategies to be used for supporting MTEF budgeting
  approaches.
**Action on PFM and implementation capacity:** Productivity of spending relates strongly to the existing systems for PFM and implementation capacity, which may be most obviously reflected in budget execution rates. PFM systems may also constrain how decentralised spending can be, which can be a key driver of the efficiency of spend. Short-term, countries need to identify and work around the bottlenecks in PFM systems that constrain effective education spending and service delivery – such as delays in procuring construction contracts, payroll inefficiencies, or the sub-national/allotment processes. In the medium- to long-term, many low income and middle-income countries will need sector specific PFM reform.

**ACTION AREA 3: Education financing data**

Evidence based policy making requires sufficient, systematic, and reliable data on education spending, its distribution and effectiveness. Unfortunately, in many low- and middle-income countries, data on education financing are not collected frequently, and in some countries, they are not collected at all. Even when data are collected, they may be of a low quality and unable to be used effectively to inform decision-making. For example, in many developing countries, data is not disaggregated by sex or by type of vulnerability.

- **Action on data availability and coherence:** the availability of good-quality data on core spending indicators is limited in many countries. This can make it difficult to track overall levels of funding and ascertain how these funds are utilized. Over the past three years, for example, less than one-fifth of countries reported to UNESCO or the IMF how much they spend on primary, secondary, and tertiary education. Moreover, even when this data is available, it is rare to have the breakdown of how those funds are used (e.g. capital or current expenditure, salaries or facilities, etc.). It is also necessary to collect more and better data on household expenditures on education, especially in low-and-middle-income-countries, recognising that this may sometimes be an indicator of regressivity in the way education is financed. Data on education financing remain fragmented and have yet to be harmonized. National Education Accounts can offer this. There are also several areas of financial monitoring where high-income countries are facing challenges. In particular, improving the quality of data on household and private spending, which is patchy in many OECD countries, and almost non-existent for low-income ones, is a key concern. If the education community is to better understand the role the private sector can play to finance education (particularly at TVET or tertiary levels), then improving the coverage of private spending is essential for all countries, regardless of their income.

- **Action on rapid data:** COVID-19 increased the need for timely, comparable data to assess the impacts of crises on education financing and outcomes. Real-time information on budget changes, so important in tracking and responding to crises, is not systematically available.
Countries should collect timely, comparable data to assess the impacts of any crises on education financing and outcomes. Building resilience in the education budget should be a particular priority where countries are prone to crises. Real-time information on budget changes, so important in tracking and responding to crises, should be systematically available.

- **Action on capacity to use data:** The social and economic costs of failed education policies are high, so it is vital that governments target investment correctly and efficiently to yield improved outcomes. This depends on the capacity to understand education budgets, to use education finance data and to engage in a strategic dialogue about education spending – which needs to be enhanced at all levels. This needs to start from the school level with heads and governing bodies able to make informed and evidence based decisions on allocations. Transparency to local communities and parents can be transformative. It is needed also at district level and at each level through the system so that those holding budgets at different level understand the effectiveness of different allocations for improving efficiency and equity. Finance data needs to be available alongside other crucial data to enable people to make informed and accountable choices.

**Action on data for accountability:** Better data can support improvements of a large number of accountability relationships in education as well as the design of context-sensitive accountability mechanisms that promote trust among partners. Citizens, CSOs, and parliaments can be supported to gain access to and use better quality education data to hold Ministries of Finance and Ministries of Education to account for education resources, and to scrutinise and approve education budgets. Ministries of Finance and Education can use data to improve the quality of their discussions.

**Conclusion: A new global compact for financing education**

A comprehensive approach to increasing financing for education depends on increasing 4 Ss:

- The Size of government budgets overall (determined by tax, debt, macro-economic policies, trade etc)
- The Share of national budgets dedicated to education
- The Sensitivity of education budget allocations – driven by an evidence-based approach to equity and efficiency
- The Scrutiny of education spending in budget – so resources are tracked especially in the most disadvantaged communities, data quality is improved and the capacity to use data is enhanced.

On the basis of this the education community can start to frame a new global compact on education to be launched at TES. Not every aspect will be finalised, but this charts a direction and affirms a new commitment to transform the financing of education.