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SUMMIT 2022

## United Nations Transforming Education Summit

### Thematic Action Track 5: Financing of education

Discussion Paper (Final draft – 15 July 2022)

#### Summary

There is a crisis in the financing of education that has deepened with COVID-19. Urgent action is needed by governments and development partners to deliver on existing education goals and prepare for the future. Transforming education financing will require going beyond existing commitments (4-6% of GDP and 15-20% of spending) to find universal, sustainable and systemic solutions in three areas:

#### Action area 1: Mobilising more resources

97% of education funding comes from domestic revenues, but this is profoundly affected by wider forces. We need:

- **Action on budget shares:** Any government allocating less than 15-20% of public expenditure or 4-6 % of GDP to education needs to develop a trajectory to achieve this key benchmark.
- **Action on tax:** Many governments could increase tax-to-GDP ratios by five percentage points by 2030 through progressive tax reforms, enabling a doubling of spending on education, health and more, but this needs to be matched with international action on global tax rules/havens.
- **Action on debt servicing:** Any government spending more on debt servicing than on education ought to be prioritised for debt renegotiation and a new debt workout mechanism.
- **Action on Special Drawing Rights (SDRs):** The IMF board could massively boost resources for education by issuing a new round of SDRs and agreeing a mechanism for their redistribution.
- **Action on austerity:** Governments should avoid austerity policies that block urgent spending on education, removing public sector wage constraints where there are teacher shortages.
- **Action on paradigms:** Education spending should be treated as investment, not as consumption, with new found ways to recognise the medium- and long-term returns.
- **Action on concessional loans and aid:** The share of aid, climate funding and concessional finance earmarked for education should rise to 15-20% to match the domestic financing commitment.

#### Action area 2: Increasing equity and efficiency of spending on education

More education resources must be accompanied by greater equity and efficiency in existing investments, for example, through:

- **Action on all levels of education:** A principle of progressive universalism in a lifelong learning perspective is needed, encompassing all levels and strands of education starting with early childhood education and prioritising public investments towards achieving equity and quality.



- **Action on geographies:** Investing domestic resources equitably across a country should be a priority, as should, investment of aid and loans to target countries most in need.
- **Action on excluded groups:** Disaggregated data and an intersectional approach are crucial for enhancing equity. Decentralisation can help but the centre must retain a redistributive role.
- **Action on linking sector planning and budgeting:** Realistic and robust education financing strategies must drive investment decisions over several years.

### Action area 3: Education financing data and accountability

Good policy requires systematic and reliable data on education spending to deepen accountability:

- **Action on data availability, coherence, and timeliness:** Many countries need to increase the availability and harmonisation of quality data on both public and household spending.
- **Action on capacity to use data:** There is a need to increase capacities to understand and use education budget data at all levels from schools up to ministries and parliaments.
- **Action on data for accountability:** Effective domestic accountability systems in education should enable external partners to trust that education resources are well used.

**Put together, these actions form the basis of a new *global compact on education financing*, linking new domestic commitments with new international action on issues affecting education financing – to increase the share, size, sensitivity, and scrutiny of education budgets.**

## Introduction and background

**This paper proposes a transformative rights-based agenda for a new global compact for financing lifelong learning for all.** Education financing must be transformed to accelerate progress towards achieving Sustainable Development Goal (SDG) 4 and to prepare for the [Futures of Education](#).

Transforming education financing requires action in three key areas:

1. mobilising more resources, domestically and internationally;
2. increasing the efficiency and equity of allocations and expenditures; and
3. improving education financing data and accountability.

This is urgent. The Right to Education enables all human rights. However, COVID-19, the climate crisis, and violent conflicts have put already stretched education systems under great strain. Responding to this urgency requires both significant commitments from domestic governments and deep solidarity from the international community.

**Many commitments already exist.** This agenda builds upon previous global commitments on education financing, especially the UN 2030 Agenda for Sustainable Development, SDG 4 and the Education 2030 Framework for Action, but also:



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- The obligations under the [International Covenant for Economic Social and Cultural Rights](#) which requires each State to take steps *‘to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant’* and to avoid any backward steps;
- The [2021 Paris Declaration: a Global Call for Investing in the Futures of Education](#) and the [2021 Heads of State Call to Action on Education Finance](#), which 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.’* The Call 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; and
- SDG 16.4 on significantly reducing illicit financial flows and SDG 17.1 on strengthening domestic resource mobilization including through international support.

The vision of the UN Secretary General’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

**There is a global education crisis that has been deepened** by the COVID-19 pandemic, which led to sharp reductions in learning and sharp increases in education inequalities as schools closed and incomes declined. But even before COVID-19, access to and the quality of education improved in many countries at a painfully slow pace. The estimated proportion of ten year-olds in low- and middle-income countries who cannot read a simple sentence has risen from around 58% to 70%.<sup>1</sup> Gains in access over the past twenty years have been set back by COVID-19: among those most affected by the education crisis are children and young people from low income households and whose education is disrupted further by humanitarian crises, estimated now at 128 million (up from 75 million before the pandemic).<sup>2</sup> Girls have often paid a high price as a result 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.<sup>3</sup>

**Globally, we are falling far short in financing existing education goals, let alone addressing the challenges of the future.** It is clear that we need transformative collective action on financing from national governments and from the international community. We need to understand all the forces that affect education finance, and all the levers at our collective disposal to make the transformation.

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<sup>1</sup> World Bank, UNESCO UIS, UNICEF, FCDO, USAID, BMGF, and UNESCO, 2022, The state of global learning poverty: 2022 update.

<sup>2</sup> ECW. 2021. Delivering Quality Education to Children and Youth left furthest behind in crisis.

<sup>3</sup> G7. 2021. Declaration on Girls’ Education: Recovering from COVID-19 and Unlocking Agenda 2030.



**Despite increases in investment in education over the last 15 years, even more is needed.** Before the pandemic, it was estimated that up to an additional \$200 billion each year would be required to get the world on track to achieve SDG 4 by 2030<sup>4</sup>; now, that figure is even higher. Violent conflicts have also led to an increase of displaced learners. 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 \$4.85 billion.<sup>5</sup>

**Public investment in education, though rising in some cases before COVID-19, is still too low in most countries.** The average low-income country spends the equivalent of \$188 on the education of each student, whilst lower-middle-income countries spend \$894 per student, upper-middle-income countries spend \$2,488 and high-income countries spend \$8,133 per student.<sup>6</sup> Governments are the largest funders of education in all cases. Over the last decade, public investment in education has grown steadily, principally driven by increases in GDP, but funding for education as a share of national income has only increased significantly for low-income countries (from 3% to 3.5% of GDP).<sup>7</sup>

**COVID-19 has however, had an alarming and uneven effect on access to education and on education budgets.** Countries face additional costs of reopening schools and keeping them open safely, in the face of shrinking economies and growing debt burdens. Only one third of countries have increased public resources for education as compared to the previous school year.<sup>8</sup> Countries allocated on average just 3% of their COVID-19 stimulus packages to education, while in low- and lower-middle-income countries, the allocation was less than 1%.<sup>9</sup> In many countries, high population growth will continue to put significant pressure on education systems and government budgets over the next 30 years.<sup>10</sup>

**Greater public investment in education is constrained by macroeconomic environments and present macroeconomic policies in many countries.** In a growing number of countries, debt servicing is consuming a greater share of spending than education.<sup>11</sup> 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<sup>12</sup>. 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

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<sup>4</sup> See Sandefur (ed.) 2022 for a recent review of gap analyses.

<sup>5</sup> World Bank/UNHCR. 2021. The Global Cost of Inclusive Refugee Education.

<sup>6</sup> Data from: [The Impact of the COVID-19 Pandemic on Education Financing \(worldbank.org\)](https://www.worldbank.org/en/publication/impact-of-the-covid-19-pandemic-on-education-financing)

<sup>7</sup> World Bank/UNESCO (Global Monitoring Report). 2021. Education Finance Watch.

<sup>8</sup> Ibid.

<sup>9</sup> UNESCO. 2021. Uneven global education stimulus risks widening learning disparities.

<sup>10</sup> World Bank/UNESCO (Global Monitoring Report). 2021. Education Finance Watch

<sup>11</sup> UNICEF, 2021, COVID-19 and the looming debt crisis, [https://www.unicef-irc.org/publications/pdf/Social-spending-series\\_COVID-19-and-the-looming-debt-crisis.pdf](https://www.unicef-irc.org/publications/pdf/Social-spending-series_COVID-19-and-the-looming-debt-crisis.pdf)

<sup>12</sup> Sandefur (ed.) 2022 ibid.



sector wage bills.<sup>13</sup> Action on these areas will be essential to transform the financing of education, but must go alongside measures to improve effectiveness, equity and accountability.

**Household spending on education is significant but can be highly regressive and needs to be complemented with adequate and progressive public investment.** In most countries, households invest in education. Wealthier households are able to invest more and weakened economies and rising prices following the pandemic and invasion of Ukraine has made it even harder for poorer households to invest in education. If governments do not compensate with substantial and progressive public investment in education to reduce household costs, it will lead to very unfair outcomes for children and poor outcomes for society overall.<sup>14</sup> Unfortunately, rather than compensating for regressive household spending, public investment in the education of children from the poorest 20% of households is only a quarter of public investment in the richest 20%. This must change, and a re-assertion of the commitment to provide at least 12 years of free public education as well as affordable higher and adult learning is urgently needed, with public investments designed to increase equity.<sup>15</sup>

**Other sources of finance for education are less significant, except in some specific cases,** for example for higher, technical, vocational and adult education. Official Development Assistance (ODA) accounts for less than 3% of overall education spending (approximately 2% of education spending in lower-middle-income countries and 18% in low-income countries).<sup>16</sup> Worryingly, the share of ODA allocated to education fell from 8.8% in 2019 to 5.5% in 2020, and the share of humanitarian aid given to education was cut from 2.9% in 2019 to 2.5% in 2021.<sup>17</sup> Education receives significant allocations from private philanthropy, but these allocations are small in relation to public allocations.<sup>18</sup>

**There are compelling moral, social and financial arguments in favour of protecting core education resource allocations from donors and domestic governments.** The COVID-19 pandemic has exacerbated the challenge of inadequate national educational budgets and flatlined ODA commitments, jeopardizing the achievement of the SDG 4 targets in many, and particularly the most vulnerable countries.

## Synergies and alignment across Action Tracks and their sub-themes

The Finance Action Track 5 resonates strongly with each of the other action tracks. The recommendations from each of these tracks are important for determining what needs to be financed

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<sup>13</sup> ActionAid, 2021, The Public Versus Austerity: why public sector wage bill constraints must end [The Public Versus Austerity: Why public sector wage bill constraints must end | ActionAid International](#)

<sup>14</sup> Ron Balsera, M., Dorsi, D., & Petersen, T. (2016). Ensuring mixed education systems comply with human rights. A Report to The International Commission on Financing Global Education Opportunity. <http://report.educationcommission.org/download/807>.

<sup>15</sup> UNICEF. 2020. [Addressing the Learning Crisis: An urgent need to better finance education for the poorest children](#).

<sup>16</sup> World Bank/UNESCO (Global Monitoring Report). 2021. Education Finance Watch

<sup>17</sup> UNICEF/UNESCO/World Bank. 2022. [Where Are We on Education Recovery](#).

<sup>18</sup> OECD. 2021. [Private Philanthropy for Development – Second education: Data for Action](#). Paris



and what financing mechanisms 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. Some of the most significant implications from the discussion papers of the other tracks are:

- **Action Track 1 on inclusive, equitable, safe and healthy schools:** Reaching the most excluded costs more per capita – especially those in remote areas and children with disabilities. To achieve equitable access requires a full commitment to the removal of user fees as otherwise systems end up stratified by the ability to pay, excluding or disadvantaging and potentially stigmatizing marginalized groups. Efforts should be made to move towards fairer and more sustainable financing through a progressive tax system that is effectively administered. Universalising access to free, quality early childhood education has a powerful impact on equity and inclusion but requires a transformation in the volume of financing. Public financing is also crucial for ensuring equitable access to quality higher education, Technical and Vocational Education and Training (TVET) and lifelong learning. In many contexts, parallel investments in the financing of health and social protection are necessary to advance equity – so we need to focus on the size of government budgets overall and not just the share for education.
- **Action Track 2 on learning and skills for life, work, and sustainable development:** An expanded conception of foundation learning and a commitment to lifelong learning require bold expansion of financing. The commitment to an integrated approach that considers health, gender, social inclusion and robust lifelong policies reaffirms the importance of looking at systemic issues affecting the financing of the public sector as a whole, rather than just a standalone focus on education. Education for sustainable development and active global citizenship are intertwined (hence the pivotal role of SDG 4.7) and will be ever more important for empowering learners to become active citizens and helping them to build sustainable, peaceful societies, with respect for human rights, while addressing economic, ecological (climate and biodiversity) and humanitarian crises. There is thus a compelling case that education systems should receive a fair share of climate finance that is supporting a just transition.
- **Action Track 3 on teachers, teaching and the teaching profession:** Teachers are the most significant cost in any education budget – averaging 75% and often rising to over 90% - affirming the importance of focusing on predictable and sustainable financing through tax systems rather than depending on traditional aid or loans that are too often short term and unpredictable. The impact of wider macro-economic policies, particularly the use of public sector wage bill constraints, can profoundly affect the ability of countries to recruit more teachers (even where there are shortages) or pay teachers more (even where salaries are very low). Such constraints need to be removed if we are to transform the financing of education and macro-economic planners should place achievement of medium and long-term progress on education (and health) as a clear priority.
- **Action Track 4 on digital learning and transformation:** A digital revolution for education requires a range of priority investments, often starting with core infrastructure including electricity and



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connectivity (which depend on taking a holistic approach to public finances). The commitment to open educational resources (licences and teaching-learning resources) that are free, accessible and adaptable means ensuring that public budgets can take the strain. Private sector support for public efforts can play an important role where there is a shared commitment to ensuring key materials are available on an open-source basis, and that governments are not trapped into closed contracts where they become dependent on specific suppliers.

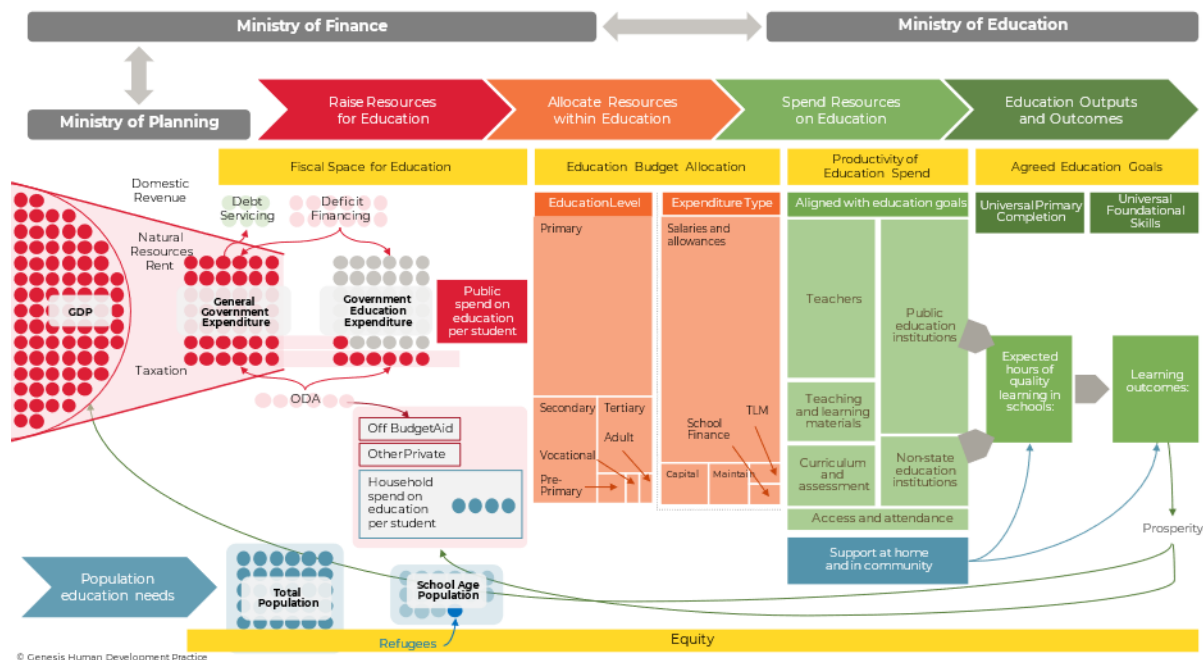
All four action tracks point towards the urgent need for ambitious action on the public financing of education systems, taking a whole-of-government and multi-stakeholder approach which is conscious of the inter-dependencies between education and other sectors such as health, nutrition, energy, gender, etc. It is clear that incremental change will not be enough. We need a transformation in the financing of education. This requires us to move beyond the traditional focus on aid and loans to look at the big picture of education finances, understanding all the levers that are available for governments to transform financing and all the actions needed by the international community to unleash a transformation. It also means making sure we link action to increase the volume of education financing with action on equity, efficiency and accountability – so that new resources are allocated where they are needed and used for maximum impact.

## What does the transformation look like?

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.



Figure 1: framework and entry points for transformation



A combination of actions is essential if countries are to deliver the financing for SDG 4 – action on the volume of financing, equity, efficiency and accountability. Whilst increased efficiency and equity of spending is important, we are clear that this will never be enough without substantial new action on the volume of resources. We propose that the threads laid out below form the **foundation of a new global compact on education financing to be launched at Transforming Education Summit**.

### Action area 1: Mobilising more resources

The volume of resources raised for education is not adequate. By far the largest source of education finance is domestic revenue, and this remains the most promising avenue to mobilise additional resources. In recent decades, GDP growth has been the biggest driver of increased resources for education, and this will continue to be important. In many countries, however, there may also be space to raise more revenue as a proportion of GDP, and to allocate a larger proportion of government budgets to education. Increased public investment in education will need to be complemented by improvements to the effectiveness and equity of education allocation and spending in most countries to persuade Ministries of Finance and taxpayers that additional resources will be well used.

There are important roles for macroeconomic policies and fairer global trade, investment and tax regimes. The international community can play an important role on this matter. Our overall approach to finance should be within a framework that looks at universal, sustainable and systemic solutions,





alongside a deeper commitment to multilateralism, mutual accountability and solidarity. We call for a whole-of-government and whole-of-international-community approach to education financing.

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 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 tracked. The signatories to the Heads of State Declaration in 2021, showed how increasing the share of budgets allocated to education can release tens of billions of dollars in new funding. However, many countries reach or exceed 20% and are still short of resources because a 20% share of a small pie is a small amount. Too much focus on budget shares also sets education up in competition with health and other sectors – whereas social sectors should focus on finding common ground (as is the case for example with action on tax and debt).
- **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.<sup>19</sup> This would allow a doubling of spending on education and health (and more in most countries).<sup>20</sup> 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 better-off individuals and companies). Whilst targeting the wealthiest 0.1% and 1% is vital, a fairer system will also pass some burden to the better-off 10% or 20% in order to build a more equitable system. There is also growing recognition of the need to raise taxes in **gender responsive** ways to support gender-responsive spending on education. The precise balance of taxes to be used and the scale of ambition will of course be determined differently in different countries. National actions in this area need to be matched by **international action** to agree on a global asset register, reduce illicit financial flows, close tax havens and support a representative and inclusive UN process for setting global tax rules.<sup>21</sup> Whilst earmarked taxes for education (such as those in Ghana, Nigeria, Brazil, China and India) can play a role, efforts need to be made to ensure benchmarking of existing tax allocations to education so that new taxes lead to increased revenue. A more effectively administered and progressive tax regime can also help to

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<sup>19</sup> Gaspar, V., et al, 2019, 'Fiscal Policy and Development: Human, Social, and Physical Investment for the SDGs', *IMF staff discussion note*. <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2019/01/18/Fiscal-Policy-and-Development-Human-Social-and-Physical-Investments-for-the-SDGs-46444>

<sup>20</sup> [Who Cares for the Future: finance gender responsive public services! | ActionAid International](#) Countries that have rapidly increased tax-to-GDP ratios in recent years include Nepal, Mongolia, Bolivia, Mozambique, Georgia and Cambodia

<sup>21</sup> A [United Nations Convention on Tax](#) has been called for by [African Ministers of Finance](#) in May 2022.



deepen accountability for how resources are spent.<sup>22</sup> Connecting those working on tax and education (as in the GPE funded [Tax and Education Alliance](#)) can also help to ensure increased tax revenues lead to increased allocations for education.

- **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, is another key area. Too many countries spend more on debt servicing than on education (or health), but a significant proportion of external debt is now with private creditors.<sup>23</sup> The urgency of action on debt in order to finance education could not be clearer and there is a strong case for renewed mobilisation on debt swaps for education, drawing learning from past experiences.<sup>24</sup> It is clear that action on debt renegotiations and even debt write-offs for countries in debt crisis urgently needs to be accelerated. Any country that spends more on debt servicing than on education ought to be prioritised with access to a new [debt workout mechanism and approach to responsible lending and borrowing](#).
- **Action on Special Drawing Rights (SDRs):** An immediate boost to spending on education (and health) could be achieved by the IMF board agreeing to issue another round of [Special Drawing Rights](#) - building on the example of \$650bn issued at the height of COVID-19. This could substantially increase liquidity in low-income countries (to the extent that SDR is allocated to them). There is a [strong case](#) for a much larger allocation – of \$3 trillion – with a stronger mechanism for unconditional redistribution of these SDRs<sup>25</sup> to countries that need them to invest in education (and health).
- **Action on austerity:** The financing of education is often undermined by austerity policies and there are widespread concerns about a rapid [return to austerity](#) post-COVID-19. Ministries of Finance urgently need to lift public sector wage bill constraints in order to facilitate increased budget allocations to the education sector, especially in countries with teacher shortages and growing populations. Teachers are the largest single group on most [public sector wage bills](#) so overall constraints directly block progress on recruiting teachers even where there are shortages.<sup>26</sup> The IMF could make a breakthrough in Article IV negotiations, by actively encouraging countries with shortages of teachers to increase the percentage of GDP spent on the public sector wage bill (where commitments are made by governments to increase teacher numbers or improve the professional conditions of teachers). TES could call for the IMF, World

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<sup>22</sup> [The State of Tax Justice 2021 - Tax Justice Network](#) page 21

<sup>23</sup> [International Debt Statistics 2022 \(worldbank.org\)](#)

<sup>24</sup> There are experiences to learn from such as El Salvador and Spain, Cameroon and France, Indonesia and Germany).

<sup>25</sup> [Special Drawing Rights: The Right Tool to Use to Respond to the Pandemic and Other Challenges - Center for Economic and Policy Research \(cepr.net\)](#)



Bank and Ministries of Finance to transform their approach to wage bills and support delivery of expanded financing for teacher salaries at country level.

- **Action on paradigms:** Parliaments and parliamentarians, governments and Ministries of Finance need to treat spending on education as a strategic ‘investment’, rather than as pure ‘consumption’. Creative ways need to be found to explicitly register and 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.<sup>27</sup> It also indicates that investing in early years of education and moving towards universal, high-quality, affordable health, education and childcare system has a potential return to society of up to \$17 for each dollar invested.<sup>28</sup> Education investments support reduced inequality, poverty (including for children) and welfare dependency; equalize educational opportunities; increase gender equity and helped to broaden the tax base.<sup>29</sup> Now is the time to shift both mindsets and practices around how education spending is regarded, for example establishing new accounting norms or guidelines that the IMF could champion and model with Ministries of Finance. Our call is clear: Ministers of Finance must find a way to start treating education spending consistently as an investment rather than as pure consumption.
- **Action on dialogue:** Ministries of Education and Ministries of Finance need to dialogue routinely on strategic financing issues that affect education– and a similar dialogue is urgently needed at global level allowing the education community to proactively engage 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 (as well as greater interaction with Ministries of Health).
- **Action on concessional loans:** Increasing the share of concessional finance so that 15-20% of portfolios are earmarked for education could be transformative. The ADB has already committed to increasing the percentage of its portfolio for education from 5% to 10% but moving towards at least 15% to match the expected share of national budgets for education would be a useful foundation for a fair global compact. Innovative ways to match concessional lending for education (for example from IDA), with grants (for example from GPE) could,

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<sup>27</sup> Secretary-General’s Policy Brief “[Investing in Jobs and Social Protection for Poverty Eradication and a Sustainable Recovery](#)”

<sup>28</sup> Hemerijck, A., et al, 2020, Social Investment Now! [https://feps-europe.eu/wp-content/uploads/downloads/publications/editing%20of%20a%20study-%20public%20investment%20now\\_12%20-%20pp%20%20links.pdf](https://feps-europe.eu/wp-content/uploads/downloads/publications/editing%20of%20a%20study-%20public%20investment%20now_12%20-%20pp%20%20links.pdf)

<sup>29</sup> WHO, “[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



through debt relief mechanisms, create meaningful increases in fiscal space for governments over the longer term, stimulating additionality from public resources allocated to education. For timely and effective intervention, financing packages must build on existing operational modalities of the coordinating institutions, target the most marginalised countries first where learning poverty is highest and where households bear a disproportionate brunt of education spending, fuelling inequality. In addition to multilaterals, Public Development Banks are increasingly incorporating social investments in their investment portfolio.<sup>30</sup> [The International Finance Facility for Education \(IFFEd\)](#) is another innovative example of a financing vehicle that aims at leveraging significantly increased education financing for middle-income countries through regional development banks.

- **Action on aid:** It is time for aid spending to match the expected commitment by national governments of 15-20% of spending being earmarked for education. Building on the established 0.7% of GNP target for aid and increasing the share allocated to education in the countries that most need it could be transformative. Presently, aid to education is falling (from 8.8% in 2019 to 5.5%) in 2020,<sup>31</sup> though some donors like the EC are increasing their commitments (from 7% to 13%). 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. This indicative benchmark could also be extended to the share of humanitarian aid being earmarked for education. Increased alignment and harmonisation of aid efforts, behind national plans and national systems, reasserting the aid effectiveness principles, is equally important for aid to play a constructive role in addressing the education finance gap. Multilateral mechanisms like the Global Partnership for Education (GPE) and Education Cannot Wait (ECW) are positive examples of ensuring that aid is better coordinated and reaches the countries that most need it.
- **Action on climate finance:** There is a compelling case for earmarking a fair share of climate and environment finance for education. The climate crisis is disrupting education in a growing number of countries and contexts, but education is also central to responding to the crisis. Education and skills development will be critically needed to manage the 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 climate change and other ecological challenges, adapting to new environments and livelihoods, learning new skills and becoming active global citizens with the

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<sup>30</sup> See also <https://financeincommon.org/>

<sup>31</sup> UNICEF/UNESCO/World Bank. 2022. [Where Are We on Education Recovery.](#)



knowledge and abilities to change lives and lifestyles to contribute to sustainable development. Presently, almost no climate related finance supports education systems, this needs to change.

**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 international action on issues affecting education financing.** 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

**In the eyes of Ministries of Finance, political leaders, and taxpayers, the credibility of additional resources and a new global compact on education financing depends on how effectively education resources are used.** This means allocating and spending resources efficiently and equitably in ways that drive progress towards education goals. This also means eliminating corruption and the misuse of resources, whether this is through ensuring payroll data is accurate or accountability systems are strengthened at school, district and national level. How well allocations translate into outcomes is driven by systemic issues, in particular effective education planning and management, norms and beliefs including those affecting dropout, repetition and the time spent in class and teaching. Resources should be deployed to maximise alignment around core education dimensions including professional teachers, teaching and learning materials, curricula and assessments; the management of public education institutions and regulatory frameworks for public responsibility (to be taken up by all providers and actors of education, regardless of their status – public or private); and support to learners to access education through institutions or at home. In doing so, progress can be made towards “A new social contract for education” as advocated by the International Commission on the Futures of Education.

**A wide range of different non-state actors educate over 350 million children,<sup>32</sup>** and efforts are needed to integrate some of these actors into a coherent and well-regulated system that complies with state obligations around the right to education.<sup>33</sup> The 2021/2 Global Education Monitoring Report urges governments to see all institutions, students and teachers as part of a single system. Standards, information, incentives and accountability should help governments protect, respect and fulfil the right to education of all, without turning their eyes away from privilege or exploitation. Disparity in education processes, student outcomes and teacher working conditions must be addressed. Many governments and international actors have serious concerns with for-profit schools and fee-charging schools present a serious challenge to equity within education systems. However, there can be an important complementary role for non-state actors in reaching

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<sup>32</sup> Crawford and Hares 2021. The impact of private schools, school chains and PPPs in developing countries. GEM Background Paper

<sup>33</sup> [The Abidjan Principles](#)



the most marginalised communities, including children with disabilities, as long as these are well designed and planned coherently with public provision.

**In every country, using a whole-of-government approach, Ministries of Education and Ministries of Finance must be supported to identify and address inefficiency and inequity in existing and new spending,** so 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 Ministries of Finance to do this, for example by providing ‘toolboxes’ with a range of products and methods for using them in context-relevant and robust ways.

- **Action on all levels of education** (early childhood through primary, secondary, tertiary, vocational, adult): SDG 4 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 under-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<sup>34</sup>. 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, and public subsidy is often not directed at those most in need. Adult education is often deprioritised 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 and struggle with foundation skills such as literacy. The June 2022 CONFINTEA [Marrakech Framework For Action](#) offers a helpful reference point, outlining the need for ambitious action on financing adult learning. Giving young adults the information and tools to make a successful transition from education into work is also neglected. There are also insights to draw from the 2022 edition of the World Conference on Higher Education that was convened to set a roadmap for higher education for the next decade and to shape [The Future of Higher Education](#). There is an **interdependency between investments** in all 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. Ensuring there are enough professional teachers with decent pay

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<sup>34</sup> UNICEF, Financing Education Recovery: A Piece of Cake, to be published



and conditions will always be a top priority as nothing is more important for quality learning than quality teachers. Ensuring that each dimension of an education system is carefully considered in education sector plans, budgets and execution is key – with 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 of the lowest income countries or those facing special circumstances such as small island states. 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.<sup>35</sup>
- **Action on excluded and vulnerable groups**: In every country there are clear categories of children who are more likely to be excluded from education, because they are girls or children with disabilities or they come from remote, minority, migrant or refugee communities.<sup>36</sup> 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 will 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 also an important inter-generational dimension with children from non-literate households needing more support and higher budgets as well as well-designed inter-connected adult learning programmes within their communities. The decentralisation of resources can help more efficient and nuanced investment as long as the central State continues to place a strong redistributive role to support more disadvantaged geographies.

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<sup>35</sup> For example, Mitchell, Hughes and Calleja 2021. QuODA 2021: Aid Effectiveness isn't dead yet. <https://www.cgdev.org/blog/quoda-2021-aid-effectiveness-isnt-dead-yet>

<sup>36</sup> Unterhalter, E., Robinson, L., & Balsera, M. (2020). The politics, policies and practices of intersectionality: Making gender equality inclusive and equitable in and through education. *Background paper prepared for the Global Education Monitoring Report Gender Report*.



- **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, if genuinely tailored to country needs, can help improve the robustness of education finance planning and implementation. In refugee hosting countries, greater support to align the planning, financing, and delivery of education to refugee children remains critical to their inclusion in national education systems. The provision of predictable, long-term and multi-year funding support to host countries based on refugee-inclusive education plans can incentivize Governments to meet refugee education needs as envisaged in the [Global Compact on Refugees \(GCR\)](#).
- **Action on Public Financial Management (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. In the short-term, countries need to increase the transparency and accountability of PFM systems and identify and work around the bottlenecks in them that constrain effective education spending and service delivery such as, delays in procuring construction contracts, payroll inefficiencies, or the sub-national and within-sector allotment processes.

### Action area 3: Education financing data and accountability

Evidence based policy making requires **sufficient, systematic, and reliable data on education spending**, its distribution and effectiveness. This is crucial for deepening accountability both of governments and donor agencies. Unfortunately, in many low and middle-income countries, data on education financing are not collected frequently, and in some countries, they are not collected or available. Even when data is collected, they may be partial or incomplete and of low quality and thus can not be used effectively to inform decision-making. For example, in many developing countries, data are 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. Moreover, even when 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 lowand-middle-income-countries, recognising that this may often be an indicator of regressivity in the way education is financed. There are also several areas of financial monitoring where high-income countries are facing challenges.





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- **Action on rapid data:** Real-time information on budget changes which is important in tracking and responding to crises, is not systematically available. Building resilience in and timely updates and information on the education budget should be a particular priority where countries are prone to crises.
- **Action on capacity to use data:** The social and economic costs of failed education policies are high, as such, 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** on education spending. This capacity 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 levels understand the effectiveness of different allocations for improving efficiency and equity. Finance data need to be available alongside other crucial data to enable people to make informed and accountable choices.

**Action on data for international 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 accountable for education resources, and to scrutinise and approve education budgets. Effective domestic accountability systems in education should enable external donors to trust that education resources are well used, thus enabling them to move from ‘control’ to ‘solidarity’ in their support for education. Ministries of Finance and Ministries of Education can also use improved data to ameliorate the quality of their discussions. Member States need to engage more fully in the SDG 4 benchmarking process. Accountability for delivering on aid to education commitments should be strengthened, in line with the proposed minimum benchmark of 15%, and aligned to the Global Partnership for Effective Development Co-operation. Finally, the financing of coordinated priority actions to emerge out of the TES under each of the other four Action Tracks should also be monitored and partners should use the results to foster a culture of shared responsibility.

## Conclusion: A new global compact for financing education

The other four TES action tracks (on equity and inclusion, skills and sustainable development, teachers and digitalisation) lay out more clearly **what** needs to be financed to transform education systems for the future. In addition, **Annex 1** includes clear examples where there is credible evidence of good investments from a finance perspective. Our focus has been on **how** increased financing can be



delivered and how to ensure that finances are used equitably, efficiently and accountably. In the coming weeks we will deepen cross-fertilisation with the other tracks to ensure coherence between this and other discussion papers, but the shape of our core recommendations on financing is emerging. The list of existing good practices in education finance that have been collected so far are included in **Annex 2**. Although, we are seeking a more diverse range of examples, beyond those proposed by multilaterals.

**In short, a comprehensive approach to increasing financing for education depends on increasing the 4 Ss:**

- The **Size** of government budgets overall (determined by tax, debt, macro-policies, trade etc)
- The **Share** of national budgets dedicated to education (at least 15-20%)
- 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, we can start to frame a new global compact on education to be launched at the TES. Not every aspect has been finalised, but this charts a direction and affirms a new commitment to transform the financing of education. A new global compact might involve the following (which will be worked on in the coming weeks):**

**Where countries commit to increase the share, size, sensitivity and scrutiny of education budgets through:**

- Increasing their domestic spending on education (leading to increased spending per student) for example, through expanding progressive tax revenues / budget shares for education;
- Allocating that spending more equitably and efficiently towards quality education for all; and
- Tracking and reporting on their spending in a disaggregated and systematic way.

**The international community will equally commit to supporting these 4 Ss through:**

- Prioritising global actions on tax, supporting international reforms that can help countries expand tax-to-GDP ratios in a rapid and progressive way, shifting IMF country-level dialogue to be bolder and more progressive on tax reforms, and making progress to ensure global rules are set through fair processes for example, through supporting a UN Tax Convention;
- Supporting action on debt for any countries spending more on debt servicing than education, finding new solutions and mechanisms that can unblock funding and advancing the case for new SDRs / reallocation of SDRs;
- Urging the IMF and other international institutions to remove obstacles such as, public sector wage constraints, that prevent increased spending on education and championing policies that will allow significant new recruitment of professional teachers where there are shortages;



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- Creating new norms and formulas to help Ministries of Finance and Governments as a whole to factor in long-term returns on investment in education so that education spending is not seen purely as consumption;
- Increasing aid to education and the availability of concessional loans for education to at least 15% of portfolios and allocating these to the countries where the need is greatest;
- Transforming the dialogue on education financing to consistently recognise the centrality of domestic financing and of international action that can support such domestic financing.

Agreeing a new collective approach to financing of education for refugees and other learners displaced by climate catastrophes. This must address the distinct education needs of displaced and refugee children. Added to this, efforts are needed to better connect humanitarian support for education and longer-term development support.



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## Annexes

### Annex 1: Sound and Transformative Investments in Education

Investments in education where there is good evidence that they are transformative include:

- Supporting high-quality early childhood care and education
- Abolishing all school fees and levies, at least in compulsory/basic public education
- Promoting progressive universalism, targeting additional resources towards disadvantaged learners (in the form of cash or other forms of scholarships, such as exemptions from fee payments) and targeting resources to disadvantaged schools (capitation grants and funding formulas)
- Professionalising the teacher workforce and other education personnel and providing quality in-service training for example, on teaching to the right level
- Introducing ed-tech where it enhances teacher capacity rather than substitutes for teachers
- Prioritising girls' education, using an intersectional approach
- Increasing instruction time / contact hours
- Making efforts to reduce educational failure and offer second chances to learn
- Matching highly qualified and motivated teachers with the most challenging schools
- Ensuring at least one year of free and compulsory pre-primary education, and complete 12 years of free publicly funded quality primary and secondary education, of which at least nine years are compulsory
- Providing opportunities of learning the language spoken at home, alongside well-planned linguistic integration into predominant languages of schooling and administration
- Developing rapid response education programmes for refugees with psychosocial and language support
- Improving cross-sectoral collaboration for example, with health
- Reducing the concentration of disadvantaged students in particular schools
- Prioritising investments that enhance equity
- Providing healthy mid-day meals / school feeding programmes linked to the local community / economy
- Making schools accessible to all and adopting child-centred approaches
- Ensuring national standards (pupil-teacher ratio, provide appropriate learning materials for each student as well as adequate school and sanitary facilities, etc) are met
- Having a well-resourced and effective monitoring and external school evaluation / inspection system



## Annex 2: Index mapping of practical examples and transformative investments

This annex points to some specific examples that we have collated through our consultation processes. To date they emanate from multilateral agencies with few inputs from Member States, Regional bodies or CSOs. We are not able to fully validate each of them, but we note the abundance of experiences and the level of commitment to transform education financing. These experiences may inspire others to take forward and participate in this new global deal.

### On volume of finance

- GPE Multiplier
- Tax-Ed Alliance (GPE)
- GPE Systems Transformation Grant
- Tax Earmarking (Multiple Country MoE's)
- The International Finance Facility for Education (IFFEd)
- The Global Muslim Philanthropy Fund for Children (UNICEF)
- Debt for Education Swap (UNICEF)
- Public Finance for Children (PF4C) (UNICEF)

### On equity and efficiency of finance

- Education Public Expenditure Reviews (World Bank)
- Public Expenditure Tracking Surveys (World Bank)
- Results-Based Financing (World Bank)
- Accelerator Program (World Bank)
- Fined / DEBOTTLENECKING (World Bank)
- Girl's Education Accelerator (GPE)
- GPE Variable Part Financing (GPE)
- Funding formulas (Multiple Country MoEs)
- Grants direct to schools (Multiple Country MoEs)
- Virtual funds to protect education and other priority sectors in execution (MoF Uganda, 2000s)
- Including education as an investment category for natural resource revenues (Ghana)
- Performance-Based Funding (MoE, state and national think tanks and state MoFs, Brazil)
- Equity Index for School Funding (MoE Nepal)
- Education Budget Support Operation (EU NEAR) and Fiscal Incidence Analysis
- Enhanced performance-based budgeting processes in the education sector with a gender lens (IIEP)
- Cost and funding analysis (part of ESA/ESP) (IIEP)
- Online course on education educational planning for refugee inclusion (with a module on costing refugee inclusion) (IIEP)
- Funding mechanisms for learners affected by crisis (IIEP)
- EPSSim and SimuED (UNESCO)
- Education and training policy review tools and resources (UNESCO)
- Benefit Incidence Analysis (UNICEF)



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- ECD Investment cases for children (UNICEF)
- Education Sector Analysis - Montenegro (UNICEF)
- ECE Result Based Financing – Kyrgyzstan (UNICEF)
- Joint Programme on the Integrated National Financing Framework (INFF) - Kyrgyzstan (UNICEF)
- Effective financing in ECE in Kyrgyzstan (UNICEF)
- Turkey ECE Investment Case Study (UNICEF)
- Improving Cost-Efficiency in Primary and Secondary Education - North Macedonia (UNICEF)
- ECE feasibility studies in local communities (UNICEF)

#### **On finance data and accountability**

- UNESCO Global Education Report 2017 and SDG 4 benchmarking process
- SABER School Finance Framework (World Bank)
- Education Finance Watch (World Bank)
- Results in Education for All Children (REACH) (World Bank)
- BOOST Open Budget Portal (World Bank)
- Parliamentary Toolkit on Domestic Education Financing (GPE)
- GPE Results Framework - Data Collection on Domestic Financing
- National Education Accounts (NEAs) (IIEP)
- ETICO Programme (IIEP)
- Open EMIS Initiative (UNESCO)
- Global Education Monitoring Report (UNESCO)
- Data Must Speak (UNICEF)
- Child Budget Initiative – Kazakhstan (UNICEF)