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**ANNEX**

**Inputs to Element Paper – 4th Financing for Development Conference**

**30 October 2024**

1. **OVERARCHING REFLECTIONS**

The international community has recognized **education** as a human right, a foundational investment for inclusive social and economic development and an accelerator for the full achievement of the 2030 Agenda for Sustainable Development. Regrettably, progress on SDG4 is disheartening, as only 17% of the education-related targets are likely to be achieved by 2030[[1]](#footnote-2), with half either stagnating or regressing further. The COVID-19 pandemic has exacerbated this existing crisis, intensifying issues of equity, inclusion, quality, and relevance of education.

A critical factor in this crisis is the chronic **underfunding of the education sector**, both domestically and internationally. In 2022, global education expenditure was recorded at **US$5.8 trillion**, mostly funded by governments, yet disparities in spending are pronounced across regions. Low- and lower-middle-income countries, where the majority of children failing to meet basic educational proficiency reside, spend inadequately on education, with about **41% not meeting the benchmark of allocating 4-6% of GDP or 15-20% of public expenditure on education**[[2]](#footnote-3). The financial disparity is stark when comparing annual spending per learner in low-income countries (US$55) to that in high-income countries (US$8,543). This gap of public funding often forces poorer households to contribute disproportionately to education costs, further limiting access for the most disadvantaged.[[3]](#footnote-4)

The lack of investment in education, particularly in a rapidly changing global economy, has far-reaching consequences beyond national borders. **The costs of not investing in education are colossal. Governments stand to lose out on US$1.1 trillion in foregone revenue each year for early school leavers and US$3.3 trillion per year for children without basic skills.**[[4]](#footnote-5)

Despite the crucial role of education on a global scale, financial support for it through Official Development Assistance (ODA) has been on the decline since 2002, **funding for education has plummeted from 12% to 7.6%.** [[5]](#footnote-6) Although the total ODA directed towards education reached $16.6 billion in 2022, this amount remains insufficient and disproportionately distributed, especially given that Sub-Saharan Africa, which houses more than half of the world's out-of-school children, receives under one-third of this aid for basic education.

A 2023 costing exercise determined that achieving SDG4 would require an annual investment of US$461 billion from 2023 to 2030 across 79 low- and lower-middle-income countries[[6]](#footnote-7). These countries are experiencing a significant **annual financing shortfall of** **US$97 billion**, with Sub-Saharan Africa alone needing US$70 billion.

The situation is exacerbated by global macroeconomic deterioration and fiscal austerity, pushing many of these economies into debt distress or default. [[7]](#footnote-8) The average government debt in these countries has reached 72% of GDP, the highest in 18 years[[8]](#footnote-9), with debt servicing now consuming more resources than economic growth, thereby constricting the fiscal room needed for critical public services like education. [[9]](#footnote-10) This issue was highlighted during the COVID-19 pandemic when a 1% increase in external debt led to a 2.9% cut in education spending per child[[10]](#footnote-11).

It is estimated that every **$1 invested** in strengthening **data systems** in low- and middle-income countries generates an average **return of $32**[[11]](#footnote-12). This underscores the crucial role that timely, accurate, and high-quality education data play in shaping effective policies. Without relevant, comparable, and accessible data, policymakers lack the evidence needed for informed decision-making, leaving critical challenges in the education sector unaddressed. Strong statistical systems are essential not only for driving national education development plans but also for aligning with regional and global development goals. Investing in these systems is crucial for sustainable, data-driven policymaking.

To break the cycle of poverty, inequality, and social exclusion and achieve the SDGs, it is imperative to urgently and systematically address the funding shortfall in education. This requires the adoption of new and innovative financing strategies, which should include enhancing domestic resource mobilization, reinforcing international cooperation, and implementing effective debt relief and restructuring mechanisms. **Without a dedicated effort to bolster education financing, the global education crisis is poised to intensify, jeopardizing the fulfillment of the 2030 Agenda.**

1. **RECOMMENDATIONS**

The 4th Financing for Development Conference is a pivotal opportunity to accelerate progress toward SDG 4. It should adopt an outcome document that presents concrete, action-oriented recommendations to strengthen the financing of inclusive and equitable quality education, recognizing it as a fundamental driver for achieving all the Sustainable Development Goals. Key recommendations include:

1. **Action areas Domestic public resources**
2. **Domestic and international private business and finance**

Governments should be strongly encouraged to prioritize domestic resource mobilization to generate additional funding for education, with a key emphasis on expanding tax bases and increasing the tax-to-GDP ratio to at least 15%, a level deemed essential for financing basic state functions and social services. At the same time, they should aim to **allocate 4-6% of GDP or 15-20% of total government expenditures to education.**[[12]](#footnote-13) Additionally, governments should increase the dedicated fiscal space for education and commit to ring-fencing funds for both social protection and education systems to ensure stable, protected investment in these critical sectors.

A **whole-of-government approach** connecting broader cross-sectoral development goals should be prioritized. The improvement of the links between sector planning and budget programming, are necessary so that education plans have clear and realistic financing strategies with robust cost and revenue provisions.

Particularly, **finance ministries and education ministries should be invited to work together** to devise and implement long-term sustainable financing strategies for the education sector, optimizing the mix of financing options available, and aligned to **country-specific context**, needs, and macro-economic and fiscal conditions. These ministries must equally improve the efficiency of domestic resource allocation and spending so that funds are directed towards high-impact areas, while also focusing on the equity and inclusiveness of government investments in education.

1. **International development cooperation**

Reform of the global financial architecture is needed to create increased space for countries to invest in public education.

Relevant international financial institutions and regional development banks should expand low-cost lending to **increase investments in education**. Additionally, they should reassess public sector wage constraints that prevent increased spending on education, and advocate for policies that will allow **recruitment of teachers** to meet service delivery standards and improve educational outcome.

Moreover, donor countries should be invited to respect their commitments to provide **at least 0.7% of their GNI[[13]](#footnote-14)** as official development assistance (ODA) to developing countries, increase ODA in education, and allocate such aid to the countries furthest behind on reaching SDG4.

Effective cooperation, multi-stakeholder, cross-sector and cross-government coordination and dialogue are needed to boost coherence of financing across all of the SDGs. The education sector must be creative and more proactive about mobilizing resources through such cross-sector investment strategies, such as partnerships with climate and health.

1. **Debt and debt sustainability**

Debt relief and restructuring can, where applicable, be an effective way to free up fiscal space for education and improve long-term spending capacities. Debt swaps for education, where a portion of a country's debt is forgiven in exchange for corresponding investments in education, have shown promise, while recognizing that debt swaps are voluntary and should be considered on a case-by-case basis. **Innovative financing mechanisms** offer further potential. Social impact bonds, education bonds, blended finance models, financial guarantees, and leverage of balance sheets can all be used as tools to attract and unlock additional public, private and philanthropic investment into public education.

1. **Data, monitoring and follow-up**

Improving the governance of education financing starts with setting clear standards for financial management, monitoring, and reporting. These standards ensure that resources are allocated fairly and efficiently, directed toward areas of greatest need, and spent effectively. By adopting evidence-based practices, governments and institutions can track how resources are being used, identify gaps, and adjust policies accordingly.

In this context, governments and international stakeholders should be called upon to enhance their support for SDG4 benchmarking processes. Additionally, greater backing should be provided to the **UNESCO Institute for Statistics** and the **Global Education Monitoring Report**. This increased support will strengthen efforts to produce higher-quality data for monitoring, allowing countries and stakeholders to make more targeted investments and implement informed follow-up actions.

Stakeholders in the education sector should be encouraged to actively communicate, promote, and demonstrate the vital role that education plays in driving progress across other sectors. Highlighting the returns on education investments will be essential to securing broader support for sustainable development efforts.

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