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CLOSING THE GLOBAL SDG4 FINANCING GAP: ACCELERATING SUSTAINABLE FINANCING SOLUTIONS FOR EDUCATION

Key messages

- Despite global commitments to education and the importance of human capital development as a driver of sustainable economic growth, public financing for education remains inadequate. The cumulative annual financing gap for low- and lower-middle income countries to reach their national SDG4 targets by 2030 amounts to U$97 billion per year.

- While investing in education yields significant social and economic returns both at individual and societal levels, the *costs of not investing* in education are colossal: each year governments stand to lose out on US$1.1 trillion in foregone revenue for early school leavers and US$3.3 trillion for children without basic skills.

- The cumulative underinvestment and the uneven distribution of resources in education threatens to undermine not only the achievement of SDG4 but also broader development outcomes, including poverty reduction, gender equality, social stability, and climate action.

- Increasing investments in education is not only a moral imperative but also an economic and strategic necessity to accelerate progress towards all SDGs.

- Without urgent and systemic action to address the SDG4 funding gap and increase the volume, efficiency, effectiveness and equity of financing education, millions of children and youth, particularly in low- and lower-middle-income countries, will be denied their right to a quality education, perpetuating cycles of poverty, inequality, and social exclusion.

Problem statement

The world is significantly off track in achieving the 2030 Agenda for Sustainable Development. Since 2015, only 17% of the Sustainable Development Goals (SDG)

RELEVANT ACTION AREAS

Domestic Public Resources

International Development Cooperation

Addressing Systemic Issues

ABOUT THIS SERIES

The Financing Policy Brief Series has been prepared by the Inter-agency Task Force on Financing for Development to inform the substantive preparations for the Fourth International Conference on Financing for Development (FfD4), to be held in Sevilla, Spain, from 30 June to 3 July 2025.

The Inter-agency Task Force on Financing for Development is comprised of more than 60 United Nations Agencies and international organizations. The policy briefs in this series were not subject to review by Task Force Members, and represent the views of the authoring organizations.

The full series is available at: https://financing.desa.un.org/iatf/report/financing-policy-brief-series

MORE ABOUT THIS TOPIC

For further information on the topic of this brief, please see: https://www.unesco.org/sdg4education2030/en/knowledge-hub/education-financing targets are on track for achievement by 2030.[1] Worse, 35% of assessable targets have stagnated or regressed, particularly in education (SDG4), where progress is minimal and uneven. For SDG4, only 17% of education-related targets are expected to be reached, while almost half have stagnated or even regressed further.[2] The COVID-19 pandemic has worsened an already-existing education crisis, amplifying issues related to equity, inclusion, quality, and relevance in education.

A critical factor in this crisis is the chronic underfunding of the education sector, both domestically and internationally. In 2022, global spending on education reached US$5.8 trillion, mostly funded by governments. However, spending remains uneven across regions, widening the development gap. In low- and lower-middle-income countries, where most of the children who do not achieve minimum proficiency in reading and mathematics live, public education spending remains insufficient. Approximately 34% of these countries fail to meet the benchmarks of spending at least 4-6% of GDP or 15-20% of public expenditure on education.[3] In 2022, governments in low-income countries spent just US$55 per learner annually, while high-income countries spent US$8,542. per learner, reflecting stark disparities. This lack of public funding often shifts the burden to households, particularly in poorer countries where household contributions make up a significant portion of education spending, further excluding disadvantaged children from schooling.[4]

Teachers are also underpaid, with half of the world's countries paying educators less than similarly qualified professionals.[5] Unsurprisingly, countries with the lowest per-child education expenditure report the poorest learning outcomes. This 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.[6]

Despite the global importance of education, the share of official development assistance (ODA) allocable to education has been declining since 2002. While the share of ODA for health has increased from 15% to nearly 24%, education's share has dropped from 12% to just 7.6%.[7] In 2022, the volume of aid to education reached US$16.6 billion[8], but it remains inadequate and unevenly distributed, with Sub-Saharan Africa, home to over half of the world's out-of-school children, receiving less than a third of all ODA for basic education.

A 2023 costing exercise revealed that achieving SDG4 in 79 low- and lower-middle-income countries would require US$461 billion annually from 2023 to 2030.[9] However, these countries face a substantial financing gap of US$97 billion per year, with Sub-Saharan Africa accounting for the largest share—US$70 billion annually. These countries are home to the highest rates of out-of-school children, poor learning outcomes, and unequal access to education, yet they face severe resource constraints in addressing these challenges.

The ongoing crisis in education financing is further compounded by deteriorating macroeconomic conditions globally, increasing fiscal austerity. The accumulation of unsustainable levels of sovereign debt has pushed over

1. United Nations. 2024. The Sustainable Development Goals Report 2024. UN Department of Economic and Social Affairs. June 2024. Available at: https://unstats.un.org/sdgs/report/2024/The-Sustainable-Development-Goals-Report-2024.pdf

2. Ibid.

3. UNESCO. 2023. *Global Education Monitoring Report 2023. Technology in education: A Tool on Whose Terms?* https://unesdoc.unesco.org/ark:/48223/pf0000385723

4. UNESCO and the World Bank. 2024. *Education Finance Watch 2024.* https://www.unesco.org/gem-report/en/2024efw

5. UNESCO and International Task Force on Teachers for Education 2030. 2024. *Global Report on Teachers: Addressing teacher shortages and transforming the profession.* https://unesdoc.unesco.org/ark:/48223/pf0000388832.locale=en

6. UNESCO, OECD and Commonwealth Secretariat. 2024. *The Price of Inaction: The global private, fiscal and social costs of children and youth not learning.* https://unesdoc.unesco.org/ark:/48223/pf0000389852

7. UNESCO and the World Bank. 2024. *Education Finance Watch 2024.* https://www.unesco.org/gem-report/en/2024efw

8. Ibid.

9. UNESCO. 2023. *Can countries afford their national SDG4 benchmarks?* Global Education Monitoring Report Policy Paper 49 https://unesdoc.unesco.org/ark:/48223/pf0000385004

half of lower-income economies into debt distress and, in some cases, into default.[10] Government debt in low-income countries, on average, now stands at 72% of GDP, an 18-year high.[11] Debt servicing obligations are now outpacing economic growth in many of these countries, sharply reducing the available fiscal space to fund essential public services, including education.[12] During the COVID-19 pandemic, a 1% increase in external debt corresponded to a 2.9% reduction in per-child education spending.[13] As debt servicing obligations grow and outpace economic growth, governments are left with limited fiscal space to invest in essential public services, including education.

At the same time, rising global inequalities, both within and between countries, are exacerbating educational disparities. Wealthier nations have stronger financial buffers to protect education systems from economic shocks, while poorer nations face mounting barriers to adequately fund their education sectors. This lack of equitable financing hits vulnerable populations hardest, including girls, children with disabilities, refugees, and marginalized communities, who are often the first to suffer when education systems are underfunded.

Despite international commitments, public financing for education remains inadequate. With increasing competition for limited resources across sectors such as climate change, health, and social protection, underinvestment in education threatens not only the achievement of SDG4 but also broader development goals like poverty reduction, gender equality, social stability, and climate action.

Policy solutions

Without urgent and systemic action to address the SDG4 funding gap and increase the volume, efficiency, effectiveness and equity of financing education, millions of children and youth, particularly in low- and lower-middle-income countries, will be denied their right to a quality education, perpetuating cycles of poverty, inequality, and social exclusion.

New and enhanced sustainable financing strategies, including innovative approaches, are required. Priorities to expand fiscal space for social investments include increased domestic resource mobilization, stronger international cooperation, and renewed mechanisms for debt relief and restructuring. Without this concerted effort on financing, the global education crisis will deepen, jeopardizing the achievement of the 2030 Agenda.

Governments must, first and foremost, continue to prioritize domestic resource mobilization to create additional resources for education. The central focus should be on expanding tax bases and raising the tax-to-GDP ratio to 15%, which is considered necessary to finance basic state functions and social service delivery. Countries should allocate at least 4-6% of their GDP and/or at least 15-20% of total government expenditures to education.

Progressive tax reforms can ensure that more affluent corporations and individuals contribute their fair share, while integrating the informal economy into the formal tax system can broaden the tax base and increase revenue. Enhancing the capacity of tax authorities and improving tax collection mechanisms are crucial for improving tax compliance and reducing tax evasion, along with simplifying tax codes to encourage compliance. International and regional cooperation is needed to harmonize taxes and combat illicit financial flows and tax evasion.

Reform of the global financial architecture is needed to create increased space for countries to invest in public education. A more inclusive and equitable global debt architecture should consider the specific needs of low-

10. International Monetary Fund. 2020. *The Evolution of Public Debt Vulnerabilities in Lower Income Economies.* https://www.imf.org/en/Publications/Policy-Papers/Issues/2020/02/05/The-Evolution-of-Public-Debt-Vulnerabilities-In-Lower-Income-Economies-49018; and World Bank. 2023. *International Debt Report 2023.* Washington, DC: World Bank. doi:10.1596/978-1-4648-2032-8. https://openknowledge.worldbank.org/entities/publication/02225002-395f-464a-8e13-2acfca05e8f0

11. Mawejje, Joseph. 2024. *Fiscal Vulnerabilities in Low-Income Countries: Evolution, Drivers, and Policies.* Washington, DC: World Bank. https://www.worldbank.org/en/research/publication/fiscal-vulnerabilities

12. UNICEF. 2021. *Protecting and Transforming Social Spending for Inclusive Recoveries: COVID-19 and the Looming Debt Crisis.* https://www.unicef.org/innocenti/media/3596/file/UNICEF-COVID-19-Looming-Debt-Crisis-2021.pdf

13. Miningou, E. W. 2023. *External Debt, Fiscal Consolidation, and Government Expenditure on Education.* World Bank Group. https://documents1.worldbank.org/curated/en/099748506072325934/pdf/IDU09d7e7fa50fbff046e00a8a80e07ac5341e5b.pdf

and middle-income countries. International financial institutions and regional development banks should expand low-cost lending to increase investments in education. Low-income countries must have a stronger voice in international tax negotiations to ensure that global tax rules are fair and equitable. The establishment and elaboration of a framework convention for international cooperation in tax would provide a more inclusive platform for global tax discussions.

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 and should be expanded. 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.

Finance ministries and education ministries need 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. One key aspect is the effective engagement and participation of countries, and especially of low- and lower-middle income countries, in international processes and negotiations to ensure that their interests are represented and addressed.

Donor countries must honor their commitments to provide at least 0.7% of their gross national income (GNI) as official development assistance (ODA) to developing countries, increase the share of ODA to invest 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. Stakeholders in the education sector must explain, promote and evidence the enabling role of investments in education for successful progress in other sectors.

Specific recommendations for FFD4

The Transforming Education Summit in 2022[14] laid out a set of widely consulted recommendations for the financing actions required from governments and the international community to put SDG4 back on track. These actions, which have been further reiterated by the Global Education Meeting held in 2024[15] (Fortaleza, Brazil), remain critical for FfD4 and should be addressed through the FfD4 outcome document.

Recommendations for governments are:

1. Commit to developing integrated, long-term policy and sustainable financing strategies aimed at boosting investment in education, including through Integrated National Financing Frameworks.

2. Adopt whole of government approaches connecting broader cross-sectoral development goals, and improve the links between sector planning and budget programming, so that education plans have clear and realistic financing strategies with robust cost and revenue provisions.

3. Commit to reaching and maintaining an adequate

14. Transforming Education Summit. 2022. *Financing Education: Investing more, more equitably and more efficiently in education.* United Nations. https://www.un.org/en/transforming-education-summit/financing-education;

15. Global Education Meeting. 2024. *The Fortaleza Declaration: Unlocking the transformative power of education for peaceful, equitable and sustainable futures. 31 October and 1 November, Fortaleza*, Brazil. https://www.unesco.org/sdg4education2030/en/2024-global-education-meeting

tax-to-GDP ratio to finance basic state functions and social service delivery, through ambitious and progressive tax reforms, with linked commitments towards financing educational investment.

4. Increase the dedicated fiscal space for education and commit to ring-fencing funds to social protection and education systems.

5. Commit to allocate educational investment more efficiently and equitably – with progress towards quality education ensuring value for money, and promote equity-based financing policies targeting marginalized and disadvantaged learners and communities at all educational levels.

6. Increase the efficiency and effectiveness of educational investment by reducing leakages, increasing delivery capacity of education institutions, and strengthening government accountability frameworks ensuring transparent and evidence-based allocation and effective utilization of resources based on clear standards for financial management, monitoring and reporting.

Recommendations for the international community are:

1. Donor countries must honor their commitments to provide at least 0.7% of their gross national income (GNI) as official development assistance (ODA) to developing countries, increase the share of ODA to invest in education, and allocate such aid to the countries furthest behind on reaching SDG4.

2. Prioritize global and regional actions on harmonization of taxes, supporting reforms that can help countries expand tax-to-GDP ratios in a rapid and progressive way, and ensuring global rules do not create a "race to the bottom".

3. Promote international tax justice with actions on equitable taxation of the wealthy and multinational companies, combating tax evasion and illicit financial flows, taxation of harmful activities and products, address unfair trade taxation, acting on tax havens, and fair global tax rules.

4. Address debt distress and support countries with unsustainable sovereign debt levels and limited fiscal space to protect their education budgets, through actions on debt management and restructuring, and in some cases, debt relief, debt cancellation and application of debt-for-education swaps.

5. Work on scaling up smart aid financing and grants to supplement domestic resource mobilization efforts, including expanding innovative financing approaches to unlock additional long-term funding for education service delivery and development.

6. Advance the case for a new allocation of Special Drawing Rights (SDRs) and reallocation of existing SDRs to countries most in need to invest in education.

7. Urge International Financial Institutions to revisit public sector wage constraints that prevent increased spending on education, and champion policies that will allow recruitment of teachers to meet service delivery standards.