

Domestic Financing in Education: A Smart Investment

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The SDG-Education 2030 Steering Committee papers provide strategic advice and recommendations for the implementation of SDG4 based on the principles and commitments outlined in the Education 2030 Framework for Action. Based on a synthesis of research and existing practice in global education, the papers are the result of extensive consultation among members of the multi-stakeholder SDG-Education 2030 Steering Committee. They aim to support the process of integrating global education targets and commitments within and across national education systems rather than to provide definitive solutions to national education policy challenges.

The opportunity

To successfully achieve Sustainable Development Goal 4, governments committed to progressively allocate at least 4 to 6 percent of their gross domestic product (GDP) or at least 15 to 20 percent of their total public expenditure to education, with a focus on basic education. These commitments are well reflected in the Incheon Declaration and Education 2030 Framework for Action endorsed by the UNESCO member states in 2015.

National governments are the main custodians of the realization of SDG4 and the majority of funds that finance public education systems are provided by domestic resources. Allocating sufficient domestic resources to the education system can yield important benefits not only in terms of educational outcomes, but can also be a driver to meet all the Sustainable Development Goals. Investments in education have a multiplying force and positively affect economic growth, prosperity and peace:

- **Enhancing national economic development:** If all students in low-income countries left school with basic reading skills, 171 million people could be lifted out of poverty – the equivalent of a 12% drop in global poverty¹.
- **Equipping the new generation with the competencies of the 21st century:** The rapid transformation of globally linked economies is altering the jobs market. Approximately 40% of employers globally are finding it difficult to recruit people with the skills that they require. Education is key to keep up with these changing demands².

1 UNESCO (2012). Global Education Monitoring Report. Paris: UNESCO. Retrieved from <http://unesdoc.unesco.org/images/0019/001902/190214e.pdf>

2 The International Commission on Financing Global Education Opportunity (2016). The Learning Generation. Investing in Education for a Changing World. Retrieved from http://report.educationcommission.org/wp-content/uploads/2016/09/Learning_Generation_Full_Report.pdf

- **Capitalizing on demographic changes:** Africa will be home to a billion young people by 2050. Financing will need to increase in order to provide education for this youth bulge and capitalize population changes into economic prosperity and social cohesion.
- **Promoting peace and security:** Higher levels of schooling within a country can significantly cut the risk of conflict, but equity matters – unequal access to education can double the possibility of conflict. Youth without an education can be 9 times more likely to be recruited by rebel groups³.

The challenge

Despite great progress made in expanding access to education, 264 million children and young people today are still not able to access education⁴, and 617 million children and adolescents worldwide are at school but are not learning and are far from achieving minimum proficiency levels in reading and mathematics⁵.

- To achieve SDG4, between 2015 and 2030, low- and middle-income countries will need to increase spending on education from the current US\$1.2 trillion per year to US\$3 trillion, requiring an annual rate of growth in public education spending of 7 percent⁶. To achieve this, an important commitment, particularly from low- and middle-income countries, is needed to progressively enlarge and broaden the tax base to be able to increase spending on education and meet the financing gap. Allocating additional fiscal resources for the improvement of the education systems, when accompanied by adequate transparency and accountability measures, can contribute to a better acceptance of taxes by the public. Among the possible measures that can help broaden the tax base is reducing the exemptions and fighting tax evasion of both domestic and international companies operating in developing countries.
- Public education expenditure was 14.1% of total public expenditure in 2014, and in 2015, the median global public education expenditure was just 4.7% of gross domestic product (GDP)⁷. Governments should show strong political commitment and prioritize spending for the education sector in national budgets, given the high return of investment in terms of social and economic benefits. Governments should spend at least 4% of GDP on education, or allocate 15% of total government expenditure. One in four countries do not reach either of the proposed benchmarks⁸.
- Higher levels of investment and knowledge exchange in the area of financing data are also needed, with huge gaps in financing data still preventing full transparency in both domestic and international financing of education. Critically, the international community must improve accountability by ensuring that policy is informed by effective tools to track public spending on education

3 UNESCO (2016). Global Education Monitoring Report. Paris: UNESCO. Retrieved from <http://unesdoc.unesco.org/images/0024/002457/245752e.pdf> p.103.

4 UNESCO /UIS (2017). Reducing Global Poverty through Universal Primary and Secondary Education. Policy Paper 32. Retrieved from <http://uis.unesco.org/sites/default/files/documents/reducing-global-poverty-through-universal-primary-secondary-education.pdf>

5 UIS (2017). More Than One-Half of Children and Adolescents Are Not Learning Worldwide. Fact Sheet 42. Retrieved from <http://uis.unesco.org/sites/default/files/documents/fs46-more-than-half-children-not-learning-en-2017.pdf>

6 The International Commission on Financing Global Education Opportunity (2016). The Learning Generation. Investing in Education for a Changing World. Retrieved from http://report.educationcommission.org/wp-content/uploads/2016/09/Learning_Generation_Full_Report.pdf

7 UNESCO (2017). Global Education Monitoring Report. Paris: UNESCO. Retrieved from <http://unesdoc.unesco.org/images/0025/002593/259338e.pdf>

8 Ibidem

The SDG-Education 2030 Steering Committee, representing all member states and the key WEF 2015 co-convening agencies, affirms that in order to achieve SDG4:

- ✓ Governments should **increase public revenues, allocate more of these additional revenues to education** (to meet or exceed international benchmarks) and **prioritize spending on the most marginalized groups**. A share of increased revenue derived from economic growth or larger fiscal space should be allocated to the education sector, with a focus on ensuring basic education is sufficiently financed through public spending. Governments, particularly in low and middle-income countries, are encouraged to progressively enlarge and broaden the tax base to increase spending on education and meet the financing gap. Possible strategies include reducing exemptions, ending harmful tax incentives and preventing tax evasion of both domestic and international businesses operating in developing countries.
- ✓ Governments should **prioritize sensitive allocation and spending** of education resources in ways that focus on increasing equity and supporting the most marginalized groups and disadvantaged children and youth.
- ✓ Governments should **improve the availability, monitoring, transparency and use of financing data** - disaggregated by education sub-sectors. It should include data to better understand the scale and purpose of household costs of basic education in order to reduce the financial burden on families, particularly the poorest and most vulnerable.

The SDG-Education 2030 Steering Committee is the global multi-stakeholder consultation and coordination mechanism for education in the 2030 Sustainable Development Agenda. Its primary objective is to harmonize and strengthen support to countries and their partners for the realization of the global education goal and targets. The Steering Committee is composed of members representing a majority from countries, the World Education Forum 2015 convening agencies (UNESCO, UNDP, UNFPA, UNHCR, UN Women, ILO, the World Bank), the Global Partnership for Education, the OECD, regional organizations, teacher organizations, civil society networks, the private sector, foundations and youth organizations.

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