In collaboration with

Europe and North America Education 2030 consultation
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Improving domestic and international financing for education

Background Paper 3

Abstract

The share of expenditure on education in the EU Member states and in Official Development Assistance has remained relatively stable during the last decade, while overall “social expenditure” has been increased. Reversing this trend and improving funding for education is crucial to meet the targets of SDG 4 worldwide. It is all more pertinent as 264 million children and young people are not in school and 617 million are in school but not achieving minimum learning levels, in line with expected growth in school-age cohorts, particularly in sub-Saharan Africa. On the other hand, effective action to strengthen domestic resource mobilisation and the use of funding is necessary to improve the effectiveness of the resources devoted to education and thus increase domestic efforts to achieve SDG4 by 2030. In terms of making progress towards SDG4, support for basic education is critical. Basic education is understood as covering pre-primary, primary and secondary education levels, as reflected in SDG4 targets 4.1 and 4.2. Strong policy choices need to be made to reflect that education is prioritized among key sectors for sustainable development.

Guiding questions

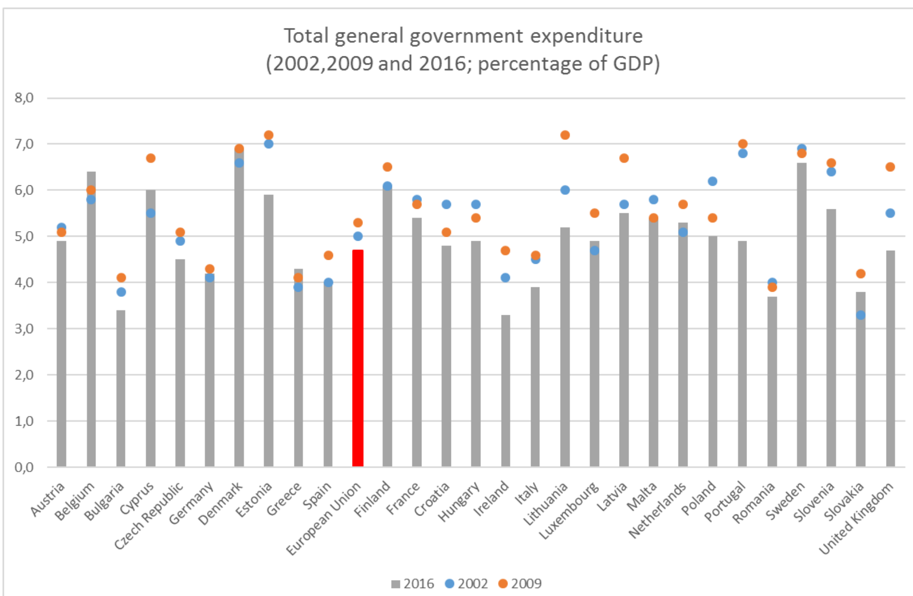
1. How to increase commitments and ODA level for education?
2. How to ensure a more equitable distribution of available resources to address historical as well as newly emerging disparities in access to education and lifelong learning and in their outcomes?
3. How to improve effectiveness in the use of available resources?

Investing in education in the EU Member States

In 2016, average general government expenditure on education in the EU-28 represented 4.7 % of the EU GDP, i.e. around EUR 705 billion in current prices. This ratio remained relatively stable between 2002 and 2016, decreasing by 0.3 pps since 2002.

Expenditure on education as a percentage of GDP or of total public expenditure reflects changes in the level and composition of public expenditure itself, which in turn are linked to the economic cycle and to growth. Spending per student offers a better indicator of the resources available to teachers and students and implicitly takes into account the evolution of the student population. In the past 10 years, the total number of students increased slightly from around 108 million in 2006 to almost 111 million in 2016. The evolution of the average EU expenditure in education per student shows that spending per student remained broadly constant, though with some cyclical variation.

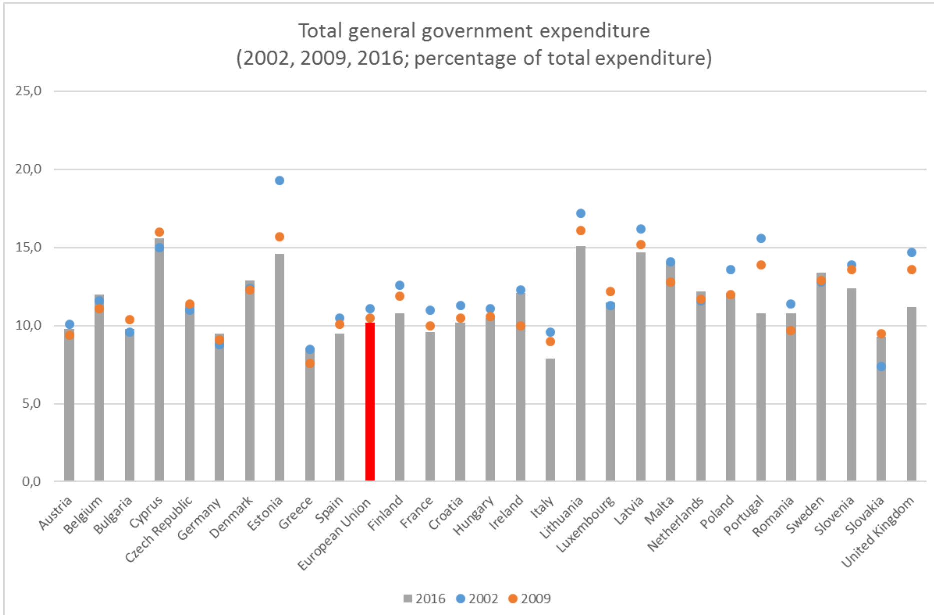
Figure 1: Total general government expenditure: as percent of GDP



Source: Eurostat, online code gov_10a_exp

The EU-28 average share of expenditure on education in total expenditure in 2016 was stable at 10.2 %. This represents a slight decline from 11.1 % in 2002, though against a background of an overall increase in government expenditure, notably on 'health' and 'social protection' (+2.7 pps as a ratio to GDP compared with 2002). Taking education's share of public expenditure as an indication of a government's financial commitment to the sector, we can see that in almost two thirds of Member States this share is above the EU weighted average. The latter is pulled down, however, by large economies such as Germany, France and Italy who invest relatively less public money in education.

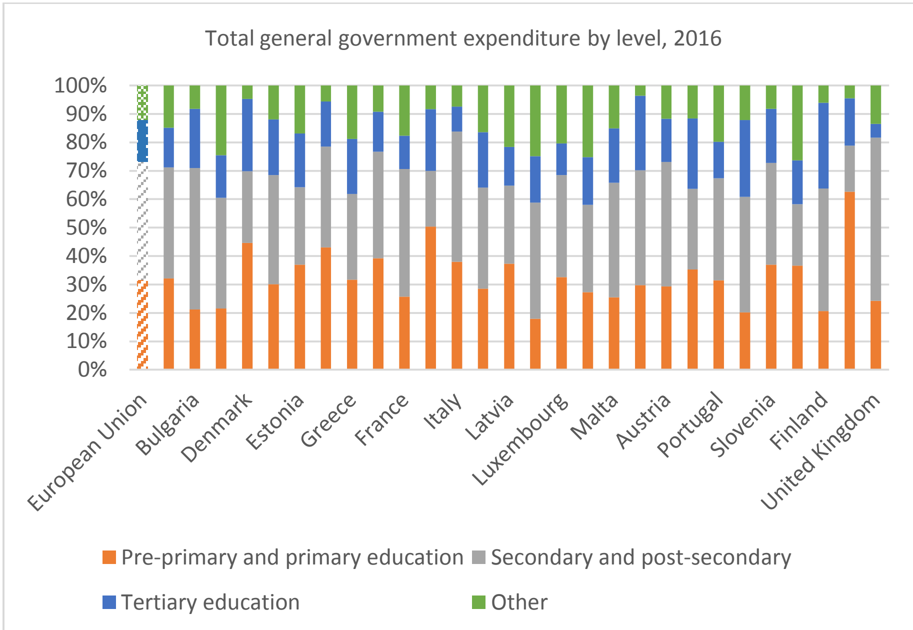
Figure 2: Total general government expenditure: as percentage of total expenditure



The breakdown of expenditure by level of education shows that the bulk of public expenditure is devoted to the school level (pre-primary to post-secondary). This is not surprising since this level covers all of compulsory schooling and around two thirds of the number of years typically spent in education. It also accounts for 60 % or more of total education expenditure in all Member States, with a peak of over 80 % in Italy). Tertiary education accounts for more than 15 % of the total in 20 countries, reaching around 30 % in Finland. In Italy and in the UK this share is below 10 %. 'Other expenditure' includes various items such as education not classified by level, 'ancillary services' to education (such as school transport, meals etc.), and R&D on education[1]. Its share varies hugely, from around 4 % in the Netherlands to above 25 % in Slovakia.

[1] Some countries have recorded the bulk of expenditure on R&D under COFOG function education, instead of spreading it across function (i.e. industry, health, environment, etc.). The different treatment of this item might lead to an overestimate of 'other expenditure'.

Figure 3: Total general government expenditure by level, 2016



Spending figures *per se* cannot be directly linked to performance of the education system. The context, such as the social background of students and the choice of policies, can markedly influence the spending level and its efficiency and effectiveness. Policymakers struggle to identify relevant indicators to orient spending decisions and to monitor their implementation in order to improve the education system's performance.

European and Northern American investment in education in low and lower middle income countries

Achieving SDG4 by 2030 will require increased spending in education. In 2015, the Global Education Monitoring Report team estimated that low and lower middle income countries faced an annual financing gap of USD 39 billion over 2015–2030. This analysis was confirmed by the International Commission on Financing Global Education Opportunity, which estimated an annual funding gap of approximately USD 44 billion.

In most low and lower-middle income countries, most funding for education is provided domestically, primarily through government budgetary allocations and parental and community contributions. In many countries this is supplemented by ODA and other forms of international support. All of these sources of funding need to be increased if SDG4 is to be achieved.

Governments have the primary responsibility for the adequate funding of education. While globally public expenditure accounts for 79% of the total cost of education, in low-income countries this figure is

59%. The Education 2030 Framework for Action and the 2016 Addis Ababa Action Agenda, specify two critical targets for the public financing of education, that is, at least 4%-6% of GDP and at least 15%-20% of total government expenditure. On average, low-income countries devote about 3.7% of GDP to education.

Action to increase domestic public resources needs to be complemented by action to strengthen domestic resource mobilisation through, for example, reforms to increase the tax base (by reducing tax incentives and exemptions, and combatting tax evasion and avoidance) and effective measures to combat corruption (including illicit capital flows to tax havens) and wastage and inefficient use of resources.

However, as the Global Education Monitoring Report[2] indicates, even if low and lower middle income countries increase their domestic revenue raising capacities, public expenditure will be unlikely insufficient to bring the transformational change required to achieve SDG 4. For these countries, official development assistance (ODA) remains a crucial source of education finance as well as of technical support. In low-income countries, ODA accounts for 12% of total education costs (or 18% if household spending is excluded). In lower middle-income countries, it represents only 2% of total education spending (or 3% if household spending is excluded). However, the shares are unequally distributed with support being far more important in some countries than others with similar or greater needs.

In low-income countries, the annual funding gap is the equivalent to 42% of the total cost of achieving universal pre-primary, primary and secondary completion by 2030[3.] In lower middle-income countries, it is the equivalent of 6% of the total education cost of achieving these targets. ODA to education in low and lower middle income countries would need to be six times the 2012 levels to secure SDG4 by 2030.

However, donors have largely shifted their priorities away from education. Despite global ODA increasing by 24% between 2010 and 2015, ODA for education, at US$12 billion, was 4% below 2010 levels. The share of ODA dedicated to education decreased for six years in a row, from 10% in 2009 to 6.9% in 2015 (excluding debt relief).

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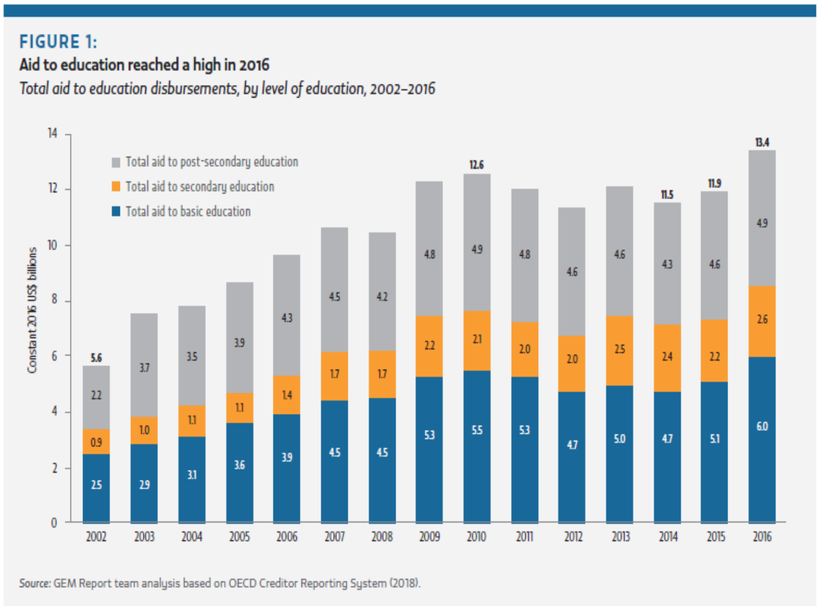
[2] The Status and Architecture of Global Education Financing: A background paper for the 2018 G20 Presidency – UNESCO and GEMR draft 26 February 2018.

[3] UNESCO, 2015. Pricing the right to education: the cost of reaching new targets by 2030. Policy Paper 18. July 2015. Education for All Global Monitoring Report. unesdoc.unesco.org/images/0023/002321/232197E.pdf

Figure 4. A return of growth? Aid to education slightly increase in 2016
Aid to education disbursement, by level of education, 2002–2016

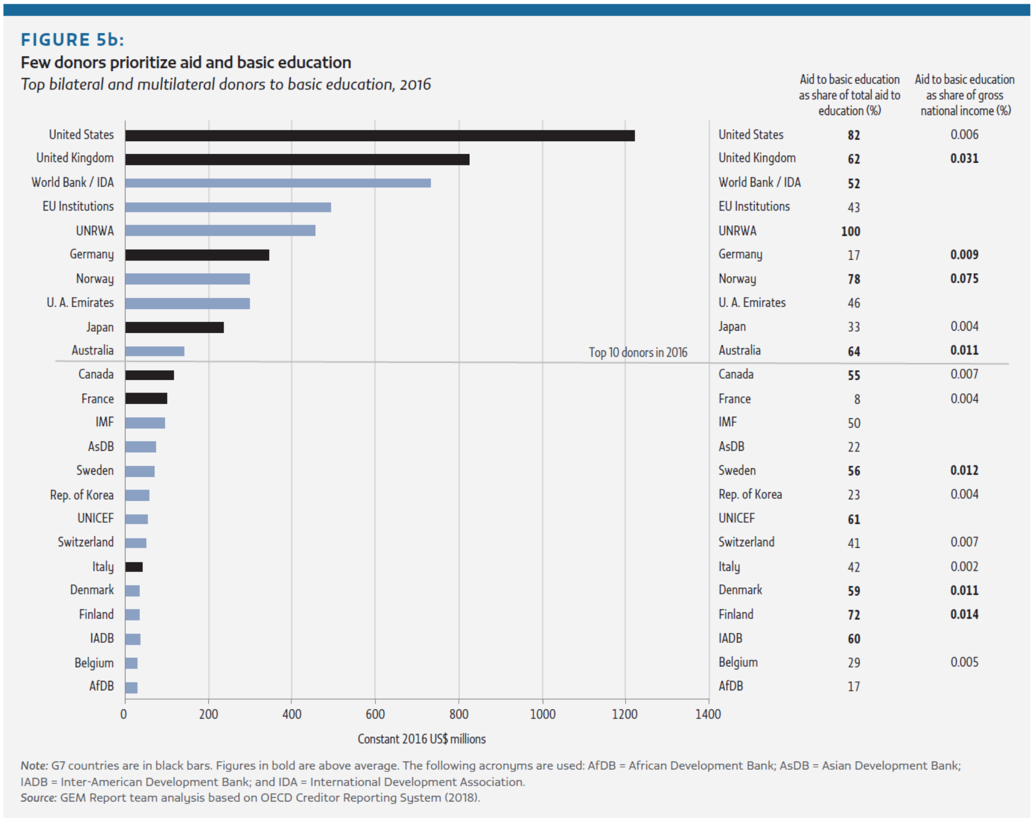


Source: Global Education Monitoring Report team analysis based on OECD CRS (2017).

In 2016, bilateral DAC donors disbursed approximately 62% of their total ODA for education to basic education. In the same year, multilateral donors, such as the World Bank-IDA, EU institutions, UN organisations, the IMF, and the regional development banks, disbursed approximately 33% of their total aid for education to basic education. For non-DAC countries the figure was 5%. These percentages have remained broadly consistent over the last 10 years or so.

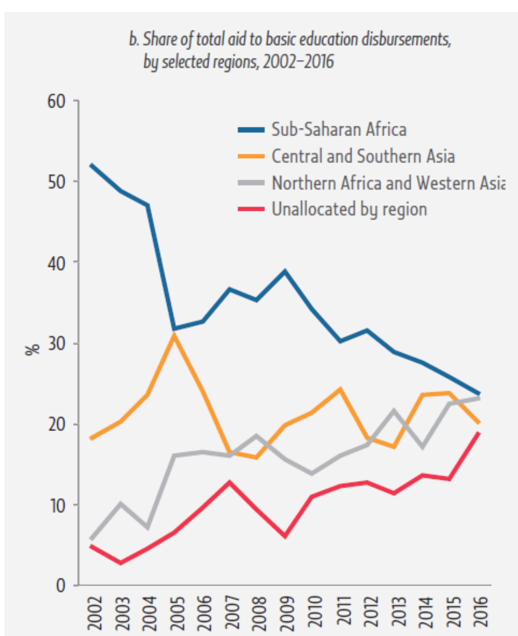
In 2016 aid to basic education ranged from 82% (the United States) to 8% (France). As a share of gross national income the percentage varied from 7.5% (Norway) to 0.2% (Italy). Changes over time indicate that, for example, Norway and the United States have increased the share of their aid for education going to basic education. In contrast, the EU has reduced its share for basic education in favour of post-secondary education, while France and Germany maintain their traditionally low allocations to basic education in favour of post-secondary education.

Figure 5: Top bilateral and multilateral aid and basic education, 2016.



Source: Policy paper 36, Aid to education, a return to growth? P.5

Figure 6: Share of Total Aid to basic education disbursement by selected regions, 2002-2016



Sources: Policy paper 36, Aid to education, a return to growth? P.5.

In order to enable low and lower middle income countries to achieve SDG4 by 2030, European and North American countries need to address three factors:

- **Ensure adequate overall ODA - The commitment to provide 0.7% GNI for ODA,** originally based on the UN resolution of 24 October 1970, **should be honoured.** In 2015, DAC countries collectively provided 0.3% of their national income for ODA, with only six countries meeting the 0.7% commitment. Most DAC countries invest less than 10% of ODA in education. In humanitarian situations, donors need to increase support from the 2017 average of 2.1% of GNI for education. The EU (DG ECHO) has allocated 8% of humanitarian funding for education in 2018 (amounting to over EUR 89 million), with the intention of reaching 10% in 2019.

- **Target aid for education where it is most needed.** As the graph above indicates, ODA for basic education has declined quite dramatically in Sub-Saharan Africa with a drop from 50% to 26%. This is the area with the highest numbers of out-of-school children and the highest population growth. The overall decline in the share of ODA for basic education to low income countries was 14 percentage points between 2002 and 2016.

- **Ensure ODA for education is provided in the most effective manner** – that is in line with the five principles of aid effectiveness[4], ensuring reduced fragmentation and transaction costs, transparent reporting, and reversal of recent declines in aid predictability. Budget support, the EU's preferred modality, is an important vehicle to promote these principles. Furthermore, given the increasing funding by humanitarian aid to address critical gaps in crises-affected contexts, effective aid delivery also needs to entail closer cooperation, including needs assessments, analysis and planning between humanitarian and development actors.

There are no indications of an international financing increase in the short to medium term. Recent efforts to leverage private sector resources for education need to ensure that any forthcoming are truly additional and are focused on contributing to SDG4 by addressing the needs of the poorest countries and their most disadvantaged citizens. Future discussions need to focus on how to improve the efficiency and quality of use of available international resources, including those via global education initiatives such as the Global Partnership for Education, Education Cannot Wait and the International Financing Facility for Education. At the same time, European and North American countries need to strengthen their efforts in helping low and lower middle countries to increase their domestic resources, and the amounts devoted to education.

[4] As agreed at the 2005 High-Level Forum on Aid Effectiveness in Paris ie national ownership of education policies, donor alignment with government policies and operational procedures, harmonisation of donor support, managing for results and sustained impact, and mutual accountability.

Higher Education Mobility

Between 2014 and 2020, the Erasmus+ programme will have supported the mobility of 4 million people (students and staff). With a more important enrollment in post-secondary education, the number of students studying abroad has more than doubled from 2.1 million to 4.7 million in the last 15 years. International student's mobility benefits host and home countries alike through collaboration on global issues. It facilitates a 'brain gain' by creating a global pool of highly-skilled human capital. The EU encourages the harmonization of education systems and the recognition of qualifications to facilitate access to education for international students and promotes inclusive policies to ensure that all groups have access to quality education and lifelong learning.

Recommendations

1. Support low and lower middle income countries to:
   - Achieve at least 4%-6% of GDP and 15%-20% of total government expenditure for education.
   - Strengthen domestic resource mobilisation - through tax reforms, anti-corruption actions and other measures.
   - Strengthen capacities to monitor and communicate key information about education, including progress towards SDG4.
   - Ensure public spending is efficient and equitable - by better aligning plans and budgets with key priorities, strengthening financial management capacities, investing resources in line with needs, monitoring spending, and improving openness and accountability.

2. Improve ODA to education by:
   - Increasing the share of ODA to education to 10% as in 2009.
   - Better targeting education aid to countries and populations with the greatest needs, especially children and youth out of school and children and youth in school but not learning.
   - Increasing humanitarian aid to education.
   - Track and appraise progress of all SDG4 targets systematically.

References

UNESCO Global Education Monitoring Report

- Policy Paper 18: Pricing the right to Education: the cost of reaching new targets?
- Policy Paper 25: Aid to education stagnates, jeopardising global targets
- Policy Paper 31: Aid to education is stagnating and not going to countries most in need
- Policy Paper 36: Aid to education, a return to growth?
- UNESCO Institute for Statistics (UIS) Skills and Innovation in G20 Countries; 2018/ Erasmus+ statistics

The International Commission on Financing Global Education Opportunity

- The Learning Generation, Investing in education for a changing word