



FINANCING THE FUTURE

Education progress report





Introduction

Early indications suggest that, though 193 countries committed to the Sustainable Development Goals (SDGs), most leaders are failing to prioritise education, threatening the success of not only global education goals but the wider sustainable development agenda.

This paper reviews the available evidence¹ on international aid to education by some G20 and Nordic countries, and domestic spending on education by the E9, the nine most highly-populated countries in the Global South. The E9 accounts for more than half of the world's out-of-school children.

Overall, not a single donor country or E9 country government has markedly increased its education funding since the start of the SDGs.

The case for education

Today more than 260 million children and adolescents are out of school,² including 202 million of secondary school age.

Upper secondary aged children (15–17 year olds) are four times more likely to be out of school than primary aged children (6–11 year olds).³ Of those children in school, 330 million are failing to achieve basic learning outcomes.⁴ Despite some progress over the past 15 years, more girls are denied an education than boys and this difference is exacerbated by poverty.⁵

Out-of-school children are an untapped resource in the fight for a safer, healthier, wealthier world.

Goal 1: No poverty

If all children in low-income countries completed upper secondary education by 2030, per capita income would increase by 75% by 2050 and advance the fight to eliminate poverty by 10 years.⁶

Goal 2: No hunger

If all women in low-income countries completed secondary education, 12.2 million fewer children would suffer from stunting.⁷

Goal 3: Good health

Girls' education has wide-ranging and transformative health benefits that reach across generations. If all girls received 12 years of education, the frequency of early births would drop by 59% and child deaths would decrease by 49%.⁸

Goal 4: Quality education

Goal 5: Gender equality

Education helps girls overcome gender discrimination and leads to more just societies. For example, a survey of women in Sierra Leone found that an additional year of schooling significantly reduced women's tolerance of domestic violence.⁹

Goal 6: Clean water and sanitation

More educated households are more likely to purify water through filtering or boiling. In urban India, the probability of purification increased by 9% when the most educated adult in the household had completed primary education and by 22% when the most educated adult had completed secondary education.¹⁰

Goal 8: Good jobs and economic growth

Increasing women's access to the labour market builds stronger, more stable economies. And increasing girls' access to quality education is crucial for their engagement in productive employment and decent work. A dollar invested in an additional year of schooling, particularly for girls, generates earnings and health benefits of \$10 in low-income countries and nearly \$4 in lower-middle-income countries.¹¹ An increase in the average educational attainment of a country's population by one year increases annual per capita GDP growth from 2% to 2.5%.¹²

Goal 10: Reduced inequalities

A review of 64 studies showed that more equitable access to education, especially secondary schooling, reduces income inequality.¹³

Goal 13: Climate action

Research suggests that education lowers an individual's vulnerability in the face of natural disasters and is one of the most cost-effective strategies to mitigate carbon emissions and tackle climate change. For example, education increases awareness of environmental issues. Students who scored higher in environmental science than their peers across the 57 countries participating in the 2006 Programme for International Student Assessment (PISA) also reported being more aware of complex environmental issues. Education also help people adapt to the consequences of climate change.¹⁴

Goal 16: Peace and justice

People with more years of education tend to be more tolerant of difference and more likely to support democracy.¹⁵ In certain countries, doubling the percentage of students finishing secondary school would halve the risk of conflict.¹⁶





Aid to education

The International Commission on Financing Global Education Opportunity (the Education Commission) calculates that achieving SDG 4 will require total spending on education to rise from \$1.2 trillion per year today to \$3 trillion per year by 2030 across all low- and middle-income countries.¹⁷

Initial indications show that the more ambitious education targets set out in the SDGs have not led to necessary increases in donor financing in 2016 and 2017. Though we can identify a small number of donors who have modestly increased their aid for education, the majority have either continued at similar levels as before the SDG framework or reduced their education aid. While aid to education stagnates, the overall aid budget increased by 7% in 2016 — further evidence that donors are not prioritising education.¹⁸

Declining

Several donor countries made (or are about to make) deep cuts to their aid budgets, including several Anglophone donors (US, Canada and Australia) and several Nordic donors (Sweden, Finland and Denmark).

When donors cut aid, the allocation to education is often reduced as well. For example, Australia made cuts to overall development aid in 2016, from AUD\$4.1 billion to AUD\$3.8 billion and reduced the share of overall aid to education from 19.4% to 18.2%.¹⁹

Flatlining

Traditionally a lead donor on education, the UK is likely to slightly reduce the proportion of its ODA spent on education — although its contribution is still high in absolute terms. Japan, Korea and the EU are likely to maintain current levels of education aid. While continuing past commitment is welcome, it is not in line with the increases needed to meet the higher ambition for education articulated in the SDGs.

Modestly increasing

A few donors are increasing their education spend. From 2013 to 2017, Norway notably doubled its education ODA. Norway made the commitment to increase aid to education in 2013, not in response to the SDGs. Other donors with likely increases include France, Germany and Italy, although these increases are modest and politically dependent.

For example, though President Macron has consistently reiterated his aim to reach 0.55% of GNI in aid by 2022, the 2017 budget actually provided for a €140 million cut in French ODA spending to reduce fiscal deficit.²⁰

As part of Germany's efforts to tackle the root causes of migration, the government's attention to education has increased in recent years. Germany has identified education as a priority area in its development policy but we see no notable growth in the country's funding trends since the SDG commitment. Future increases in development funding are currently budgeted for 2018, which will include 'moderate' increases for education — but these depend on the outcome of the German election on 24 September.²¹

Overall, not a single donor appears to be making marked increases in education funding at precisely the same time that they have committed to increase global ambition to ensure all children complete secondary education.

Domestic financing for education by the E9

Bangladesh, Brazil, China, Egypt, India, Indonesia, Mexico, Nigeria and Pakistan are the nine most highly-populated countries of the Global South. They represent more than 60% of the world's population and over half of the world's out-of-school children.

Malala Fund analysis indicates that domestic budgets for 2016 and 2017 in the E9 countries²² do not reflect a renewed commitment to education funding. Four of the countries' absolute levels of spending on education have increased slightly in line with GDP. In other countries, spending on education has fallen significantly or is about to do so.

Declining

In Nigeria, Indonesia, Mexico and Pakistan the budget share spent on education seems actually to have fallen, suggesting that these governments are de-prioritising education.

- ▶ **Nigeria's** spending was cut dramatically in 2016 from 11.29% to 7.98% of the total federal budget. 6.1% of the federal budget is allocated to education in 2017, the lowest percentage in five years.
- ▶ **In Indonesia**, the budget for the Ministry of Education (which has oversight of education through upper secondary level) dropped from 4.3% of the 2014 budget to 2.7% of the 2015 budget. In 2016, the Ministry of Education's budget declined further to 2.3% of the total budget.²³
- ▶ **Mexico** enacted an austerity budget in 2017, including deep cuts to education. According to news sources, spending earmarked for education in the 2017 budget was set to fall by 4.2%.²⁴

For each of these four countries, decreases in the percentage of national budget on education also translate to lower levels of absolute spending on education.

Modestly increasing

In most of the other E9 countries, absolute spending on education increased slightly in 2016 and/or 2017, roughly in line with GDP. These countries include China, India, Brazil and Bangladesh.

- ▶ **In China**, spending on education was 3.9 trillion yuan in 2016, an increase of 7.57% from 2015.²⁵
- ▶ **In Brazil**, spending on education increased significantly and ahead of GDP between 2016 and 2017. However, Brazil recently announced a freeze on public spending for the next 20 years, which means that real spending on education will fall.
- ▶ **In Bangladesh**, the share of the budget allocated to education declined from 13.1% in 2015 to 10.3% in 2017.²⁶ However, in the 2017/2018 budget, which the government announced in June 2017, the allocation for education represented 12.6% of the total budget.²⁷ This will translate to nearly a Tk20,000 increase from 2015-2016 in absolute spending.
- ▶ **In India**, the education budget share fell slightly in 2016 to Rs69,074.76 crore and rose again in 2017 to Rs72,394 crore. It is set to rise by a further 9.9% in 2018 according to the 2017-2018 Union Budget, which allocates Rs79,685.95 crore for education.²⁸

We have little information on education spending specifically in Egypt, although social spending is increasing by 1% of GDP in 2017/2018; this includes significant increases in spending on free school meals.²⁹

The Education Commission recommends that developing countries spend around 6% of their GDP on education. Many of the E9 countries for which we have this information — Bangladesh, India, Indonesia and Pakistan — appear to be more in the region of 2% to 3%. Brazil is the notable exception here, spending about 6% of GDP on education, but this will now fall with the country's public spending freeze.





Committing to education funding

Unless we see significant increases in funding, we will not achieve 12 years of quality education for all children for at least 50 years. In failing to prioritise education, we are threatening the entire sustainable development agenda. Action is needed in three areas:

1. Domestic resource mobilisation

Sustained economic growth has increased the resources many low- and middle-income countries can raise domestically. Yet many still do not sufficiently tap their tax base.

To ensure they have the resources to deliver education for all, governments in low- and middle-income countries need to expand their domestic tax base to the recommended 20% of GDP.³⁰

In addition, global tax rules must enable developing countries to tackle tax avoidance and evasion that currently deprives countries of valuable revenue for investment in education. Donors and international institutions must support fair reforms of the global tax system and avoid harmful tax practices that undermine the tax base of developing countries.

Low- and middle-income governments should also raise their share of spending on education to meet the UNESCO target of at least 20% of national budgets³¹, while ensuring transparency, efficiency and equality in spending resources.

We know that such increases are possible. Many low-income countries outside the E9 reached the target of spending around 20% of budgets on education by 2015/2016³². Mozambique increased the budget share going to education to 23% in 2017, up from 19% in 2016.³³

2. Bilateral aid

Donor countries should honor their commitment to increase ODA to 0.7% GNI. Currently, only Sweden, the UK, Denmark, Netherlands, Luxembourg and Norway are meeting or exceeding the 0.7% target.³⁴

Donor countries should also commit 15% of their ODA to education, and ensure they are supporting the countries and populations most in need. At present, few donor countries are dedicating 15% of all ODA to education, with the United States (3.7%) and Japan (3.9%) disbursing less than a third of this target figure.³⁵

In addition, Malala Fund recommends that 75% of this education-specific ODA should be allocated to cover basic and upper secondary education. Some large education donors, like France and Germany, spend disproportionate amounts on post-secondary education. This means the money is spent on university scholarships and in-country student costs in donor countries.

3. Multilateral funding

Multilateral institutions play an important role in global aid architecture, improving the coordination of aid by pooling resources, increasing the potential scale of aid programmes and making it easier on developing countries to work with one agency rather than multiple donors.

Malala Fund recommends donors should channel 30% of their education aid via multilateral efforts including:

- **Supporting** the full financing of multilateral mechanisms for education including the Global Partnership for Education (\$3.1 billion over three years) and Education Cannot Wait (\$3.85 billion by 2020).
- **Provide** support for the development of an innovative financing mechanism for education by the UN and multilateral banks designed to leverage new finance for education.

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- ¹⁸ Excluding aid spent on supporting refugees in the donor country.
- ¹⁹ Calculated from: <http://dfat.gov.au/about-us/corporate/portfolio-budget-statements/Documents/2015-16-development-assistance-budget-summary-feb16.pdf>
- ²⁰ http://www.liberation.fr/planete/2017/07/12/aide-publique-au-developpement-la-plus-importante-coupe-budgetaire-jamais-con nue_1583339
- ²¹ <http://donortracker.org/germany/education>
- ²² These countries are: Most of the available information refers to federal budgets rather than state-level spend. This means that the resource envelope available for education at state level may be considerably higher than implied here. However, federal budget allocations are a good indicator of government commitment to advancing on the SDGs.
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