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Global Schools Forum: Policy Brief #1
Global Education Financing

GLOBAL SCHOOLS FORUM

KEY MESSAGES

- COVID-19 has exacerbated the existing crisis in global education financing: there is now a funding gap of at least $75 billion annually.
- Urgent action is needed, from the G7 and other development funders, as well as country governments and other stakeholders, to fill the gap.
- There are 3 key sources of education finance for developing countries: (i) Government expenditure, (ii) Household expenditure, and (iii) Overseas Development Assistance.
- Household spending on non-state education accounts for a large share of total education expenditure but is often overlooked in financial analyses and policy recommendations.
- To help fill the funding gap:
  - Development funders should increase and better target bilateral aid to education, including funding the non-state sector where it aligns with government priorities
  - Governments should increase their spending on education, particularly basic education, funded through fair national taxation
  - Governments should use the non-state education system as a key mechanism for harnessing household expenditure on education
- To ensure that non-state provision does not negatively affect equity in education systems, governments should guarantee fee-free access to education for the poorest learners – and therefore explore options such as cash transfers for low-income households, or public-private partnerships to remove costs for the poorest pupils attending non-state schools.
- Whilst the vast majority of both donors and government funds should be invested in developing public sector education, there is also a strong case for investing proportionately in safeguarding and strengthening non-state education, given the large share of provision the non-state sector represents.

The problem

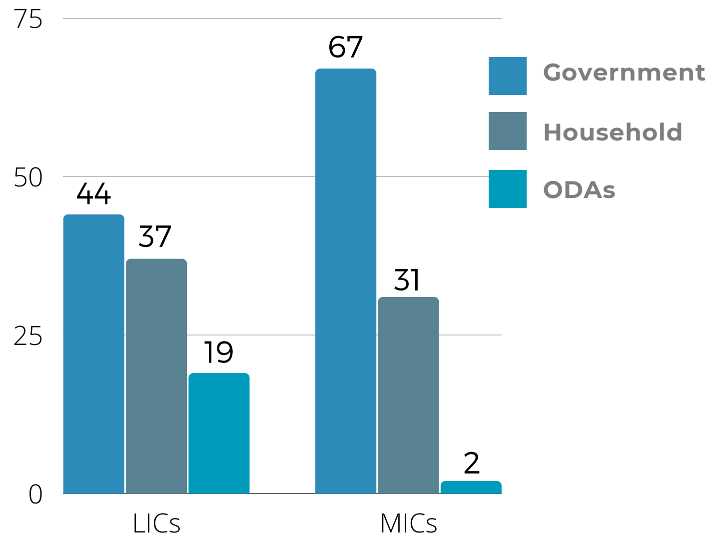
COVID-19 has exacerbated an existing crisis in education financing. Even before the pandemic, there was a gap between the finance required to provide universal education to the world's children and the resources available. The pandemic has compounded the problem, and there is now an annual funding gap of at least $75 billion in low-income countries (LICs) and low middle-income countries (LMICs). But with GDP falling in many countries, recently released data from UNESCO shows that two-thirds of governments in LICs and MICs have cut their education budgets since the onset of COVID-19.

Immediate and bold political action is required. There are a series of high-level political events in 2021, most notably the G7 Summit in June, where the international community has the opportunity to address the global education financing crisis, to help education systems build back better post-COVID-19 and to increase commitment to girls' education. We welcome the recent commitment by the G7 to new global targets to get 40 million more girls into school and 20 million more girls reading by the age of 10 in low and lower middle income countries by 2026. This commitment must now be matched by investment of the resources necessary to achieve the vision.

Overview of education financing

The 3 most important sources of education finance for developing countries are (i) Government expenditure, (ii) Household expenditure, and (iii) Overseas Development Assistance.

Most projections and policy recommendations for increasing education expenditure ignore household financing. This is a mistake, given its large share of total education expenditure and the need to consider equity implications of household spending on education.



Percentage distribution of total education expenditure by source, 2018-19 (UNESCO GEM/World Bank, 2021)

In 2018-19, household expenditure on education accounted for 37% of education expenditure in LICs; and 31% in MICs. Whilst we expect the overall level of household expenditure on education to fall due to the impact of the Covid-19 pandemic on households incomes, it will continue to be significant.

Even under the most optimistic economic growth and aid scenarios, it is wholly unrealistic to assume that household expenditure can be fully replaced by government expenditure and aid. The question is rather: how can we maximise both government expenditure and aid while harnessing household expenditure in a way that improves equity and affordability for low-income communities?

This briefing sets out GSF's view on the education financing landscape, and how governments and funders can use the non-state education sector to harness household expenditure on education.

What can development funders do?

1. Development funders should increase and better target bilateral aid to education, including funding the non-state sector.

As low-income countries respond to the pandemic, well-targeted ODA spending will be more important than ever. Donor countries should aim to meet the target of spending 0.7% of Gross National Income on ODA, and more of the ODA envelope should be earmarked for education.

Within education ODA, more should be targeted at basic education, and more should be targeted at low-income countries, particularly within Sub-Saharan Africa. Over the period 2009 to 2019, 39% of aid to education went to post-secondary education – a large share of which went to scholarships and student imputed costs for higher education in donor countries. In 2019, only 12% of aid to education went to sub-Saharan Africa, home to most of the world's poorest countries. In absolute terms, education aid to basic education in Sub Saharan Africa is less today than it was 10 years ago (UNESCO GEM/World Bank, 2021).

Funders should look at how ODA could be used to strengthen the more than one-third of basic education provision provided through the non-state sector, including through the provision of:

- grant financing
- debt & equity financing
- technical assistance to governments to support public-private partners and ensure effective regulation of the sector

Whilst the quantum of education expenditure is important, so too is ensuring that funds are spent effectively and that funders and governments make use of the best available evidence to help direct their work.

Development funders should therefore support governments and education providers to test and build evidence on what works, as well as investing in the scale-up of solutions for which there is a strong evidence of impact. We welcome the British government's recent announcement of a £55m investment in a new What Works Hub for Global Education.

2. Development funders should maximise debt relief and fiscal stimulus measures for low-income countries to enable country governments to be able to invest in their own education systems.

What can governments do?

1. Governments should increase their spending on education, particularly basic education. All governments should seek to reach international benchmarks for education expenditure, by allocating at least 4% to 6% of Gross Domestic Product (or at least 15% to 20% of public spending) to education. Again, basic education should be prioritised. This should be funded through a fair taxation system. Both donors and governments should invest the vast majority of their resources in developing public sector education, but they should also invest proportionately in the non-state sector.

2. Governments should consider how they could safeguard and strengthen the non-state provision offered in their country.

Through the non-state sector, households across low and middle-income countries invest significant sums in basic education. The sector provides significant education capacity, particularly in areas where there is no quality public sector alternative.

However, the sector also faces significant challenges. School closures prompted by the Covid-19 pandemic has damaged the cashflow position of many operators, and thousands have already closed. Many school operators also struggle to obtain credit to invest in developing their provision, at a reasonable rate. Even in concessional lending schemes, interest rates of more than 20% are not uncommon.

Government action on the non-state sector should include:

- **Supporting non-state schools in their country to remain open after the Covid-19 pandemic** through making financial support (grants or low-interest loans) available. This would support schools to cover their financial obligations, facilitate reopening and mitigate the loss of income from reduced enrolment.
- **Working with the banking sector to provide access to affordable capital for providers and parents, for those households willing and able to pay.** This would reduce the cost of borrowing private providers to expand and upgrade their services and for low-income households to support fee payments.
- **Guaranteeing fee-free access to education for the poorest learners.** Governments should ensure that cost is not a barrier to accessing quality education for the poorest - and should therefore explore options such as cash transfers for low-income households, or public-private partnerships to remove costs for the poorest pupils attending non-state schools.
- **Consider ways to partner with both the state and non-state sector to scale successful educational innovations more widely** – using models such as Sierra Leone's Education Innovation Challenge.

About Global Schools Forum

Global Schools Forum works to strengthen the education sector by working with non-state organisations in developing countries who are serving children from low-income backgrounds. We are a membership organisation united by a common vision of a world in which all children are able to access high-quality education.

Our network of 61 member organisations spans 50 countries across Africa, Asia and South America, and collectively run or support 20,000 schools that provide education to nearly 3.5 million children.

As the go-to global organisation for the non-state education sector, we work to:
1. Support our members to improve quality, test innovative approaches, scale their delivery and contribute to stronger education ecosystems nationally and globally
2. Protect and enhance the policy, financing and operational space for non-state education
3. Strengthen the research, data and evidence base on non-state education, and promote research use and uptake
4. Connect our community of school leaders with policymakers, investors and other innovators

This Policy Brief is part of series of GSF **Policy**, **Practice** and **Evidence** Briefs, which can be accessed here.

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