



## Tenth meeting of the Working Group on Education for All (EFA)

### Concept paper on the Impact of the Economic and Financial Crisis on Education<sup>1</sup>

Paris, 9-11 December 2009

#### 1. Introduction

The global financial crisis has provided a stark reminder of the realities of global interdependence. There is now a danger that, after a decade of encouraging progress, continued advancement towards the 2015 education goals will stall in the face of rising poverty, slower economic growth and mounting pressure on government budgets. Some of the world's most vulnerable households are feeling the effects of a crisis that originated largely within the banking systems of a few countries in the developed world. Many low-income countries lack the fiscal space to protect vulnerable populations, and urgently need an international response which provides increased development assistance. Additionally, at the national level, investments in safety net and social protection programmes can protect the poor from the worst effects of the crisis and enable children to pursue education.

#### 2. Social protection approaches to protect the most vulnerable populations<sup>2</sup>

*Protecting affordable access to school is a high priority for sustained progress towards key EFA goals.* Rising household poverty linked to the economic crisis brings with it the prospect of increased child labour, deteriorating nutrition, reduced public social expenditures and declining demand for education while exacerbating existing weaknesses in the education system. Although it is too early to make substantive and extensive assessments about the impact on education of this crisis, signs of vulnerability have been seen in the form of stressed education budgets, re-introduction of school fees, withdrawal of children from school, rising food insecurity and malnutrition and exacerbation of disparities. On the other hand, governments and the international community are undertaking efforts to preserve social sector expenditures and promote social protection. Furthermore, the crisis provides an opportunity for engaging in much needed rights-based education reforms. Social protection, through the reduction/abolition of user fees, cash transfers, nutrition programmes and targeted support in other areas has been shown in many countries to build the resilience of vulnerable households and strengthen their ability to cope with economic shocks without resorting to damaging measures such as withdrawing children from school.

- **Recommendation:** *Eliminate primary school fees and reduce household cost-barriers to education.* Evidence from past crises shows that countries with a basic education policy framework and free public education provision fare better overall in terms of impact and capacity to respond. School fee abolition policies have contributed considerably to gains in access, as have other initiatives targeted at poor and vulnerable households such as free uniforms, textbooks and school materials, facilitation of school transport and scholarships and stipends. Direct grants to schools for waiving fees and for covering operating/maintenance costs also contribute to improved school governance and to the enhancement of quality education.

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<sup>1</sup> Based on the *EFA Global Monitoring Report 2010: Reaching the marginalized* and UNICEF

- **Recommendation:** *Develop cash transfer programmes to prevent child labour.* There is substantial evidence to show that regular, predictable and targeted cash transfers to poor households impact positively on enrolment and reduce disparities in education. They play a particular role in poverty reduction and in blunting the negative impacts of economic shocks. Moreover, they support households in coping with opportunity costs and prevent child labour, as well as potentially reducing health problems associated with informal work. There is increasing evidence that such programmes pay for themselves by enhancing lifetime earnings, cost-effectiveness and sustainability.
- **Recommendation:** *Apply holistic and intersectoral approaches in social protection.* Protecting the most vulnerable in education necessitates a cost-effective intersectoral and multidimensional approach to poverty reduction. This should include early childhood care and pre-school programmes, provision of adequate child and maternal nutrition, food security programmes, social insurance that supports access to health care for children, water and sanitation provision in and around the schools, and other social protection measures such as community engagement against violence, gender discrimination and the social exclusion of vulnerable children.
- **Recommendation:** *Initiate employment schemes and child-relevant infrastructural investments.* Mitigating the impact of poverty on education requires additional measures that increase and stabilize the income of poor and vulnerable households. Such initiatives can provide an opportunity for simultaneously addressing social and economic vulnerabilities. The programmes could focus on increasing the employment of young people; on creating and retaining employment linked to child-relevant infrastructural investments; and providing salary incentives for teachers to attract them to remote and marginalized areas.

### **3. Monitoring the impact of the crisis in the education sector**

*The crisis has led to slower growth and declining revenues that jeopardize public spending plans in education.* For sub-Saharan Africa, the resources available for education could fall by USD 4.6 billion a year on average in 2009 and 2010 combined, or more than twice the current amount of aid to basic education in the region. Spending per primary school pupil could be as much as 10% lower in 2010 because of the effects of the recession. Much has been made of the fact that, to date, relatively few low-income countries have cut public spending in general or priority social sector spending in particular. This may be a positive outcome. However, what ultimately matters for progress on the EFA goals and wider human development measures is whether planned increases in public spending have been compromised.

- **Recommendation:** Crisis prevention requires far more effective and current monitoring of government budgets, school attendance and dropout rates. There is a need to ensure a better alignment of the poverty reduction strategy papers (PRSPs), budgets and analyses of the allocation and management of public expenditures. UNESCO and the other EFA convening agencies should collaborate in these areas, working through national education and finance ministries and coordinating a wider donor response. The critical issue is to get more comprehensive quality data that could allow for better diagnostics and planning. It is particularly important that the implementation of education budgets and real education spending be subject to close scrutiny. Budget monitoring exercises should be based on appropriate benchmarks. Beyond outright cuts in public spending, monitoring should focus on disparities between planned spending in education sector strategies and actual spending.

*Monitoring donor delivery more closely.* Long-term development requires predictable aid flows. Too little is known about the composition of non-traditional donors' aid portfolios to assess their aid to education, and data on private aid and innovative finance models are not comprehensive.

- **Recommendation:** Monitoring of and public reporting on donor delivery should be more rigorous. Translating commitments into public spending plans through setting clear aid budget plans is a priority. The composition of non-traditional donors' aid portfolios, private aid and innovative financing must be monitored in order to better understand and assess their aid to education.

#### **4. Scaling-up financing and improving aid effectiveness to deliver in countries with the greatest need**

*Increased international aid would help reduce budget pressures.* Governments in the world's poorest countries urgently need strengthened support to offset revenue losses, sustain high-priority social spending and undertake the countercyclical investment required to create positive conditions for recovery. New evidence shows that low-income countries in sub-Saharan Africa have a limited ability to shield public spending from the effects of the downturn. Developing countries need a sustained and predictable increase in aid and up-front support to counteract revenue losses from 2008 and 2009.

*Education for All financing gaps should be closed under a human development recovery plan.* A major new financial costing exercise carried out in 2010 GMR indicates that the Education for All financing gap continues to increase annually. Although the headline figure is quite large in absolute terms, it must be placed in current global contexts, and compared to recent government financial rescue package systems. The gap will continue to widen if recent falls in commitments to basic education translate into lower future disbursements.

- **Recommendation:** Governments, aid donors and financial institutions urgently need to assess the financing gaps for achieving the MDGs. Making available the resources required to close these gaps should be part of the coordinated international response to the global financial crisis. With the MDG summit planned for 2010, a high-level meeting of donors and governments of low-income countries to reassess the external financing required to achieve the EFA goals should be convened.

*The IMF has a critical role to play in counteracting the effects of the crisis.* Statements by the IMF leadership pointing to greater flexibility in loan conditions on fiscal deficits, inflation and public spending are welcome, but concerns remain over whether this flexibility will be maintained in 2010 and beyond.

- **Recommendation:** Ensure that IMF support is provided on a flexible basis that is consistent with achieving the EFA goals. In drawing up loan conditions, IMF staff should be required to report explicitly on consistency with the financing requirements for achieving the core EFA goals by 2015.

*Translating the principles of the Paris Declaration and Accra Agenda for Action on aid effectiveness into practical strategies* requires donors and recipients to reconsider the distribution of political power in aid partnerships.

- **Recommendation:** Deliver development assistance in ways that strengthen national capabilities. Effective aid requires a national policy environment in recipient countries that is conducive to planning. It also requires donors to act on their commitments to deliver more predictable aid. Furthermore, donors need to resist the temptation to

micromanage aid, either formally (through conditionality) or informally (through control over finance).

*The Fast Track Initiative (FTI) has not fully delivered on its potential.* The FTI should be reconfigured to meet its intended purpose of linking stronger national planning to increased and more predictable aid, with a focus on accelerated progress towards well-defined EFA goals. Immediate reforms are needed to demonstrate that the FTI can deliver, and to restore confidence in multilateral approaches to aid for education.

- **Recommendation:** Strengthen the FTI as an independent entity with a strong secretariat. Reform governance is needed to strengthen the voice of developing countries. National plans should be subject to independent review with recommendations acting as a trigger to authorize funding or technical support. There is a need to establish a secure and predictable financing base and facilitate partnerships with the private sector to mobilize additional finance. The needs of conflict-affected countries must be urgently addressed. A unified process for the Catalytic Fund and the Education Programme Development Fund (EPDF) should be coupled with increased institutional and financial commitment to capacity-building and a quick response mechanism to address the needs of countries in post-conflict and post-disaster reconstruction.

*Emerging donors, philanthropy and innovative finance.* Strong economic growth, the size of available external balances to emerging economies and growing cooperation in areas such as trade and energy could drive a sustained expansion in aid from non-OECD countries. Data on private aid are not comprehensive, but the available evidence points to strong growth in recent years. International foundations – such as The Bill and Melinda Gates Foundation – and corporations dominate these aid flows, which are largely directed towards public health. Climate change is another area increasingly characterized by creative thinking. Opportunities for additional financing have to be exploited, such as debt swaps for education or the 2010 football World Cup. The latter is becoming an increasingly important focal point for international campaigning for EFA.

- **Recommendation:** Increase funding for EFA and the flow of information and coordination from and among non-traditional donors, private donations and innovative financing mechanisms. Achieving this will require a broadening of aid governance structures that ensure that the views of the new players are taken into account when developing policies and identifying priorities.

*The international development goals for education will not be achieved without scaled-up aid efforts in conflict-affected states.* Conflict-affected states account for a large share of the out-of-school population and are all too often constrained due to inadequate finance, weak technical capacity and a chronic shortages of teachers. Aid allocation patterns raise questions about donor priorities for different recipient countries. In some cases, there are marked disparities in aid levels between conflict-affected countries in the same region or even between neighbouring countries. Estimates suggest that education accounted for just 2% of total humanitarian aid – a meager USD 237 million in 2008.

- **Recommendation:** Develop innovative and flexible strategies for lowering risks and transaction costs that are adapted to a local context. A single unified multilateral vehicle to support conflict-affected countries should be developed through FTI.