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IMPACT OF THE CURRENT FINANCIAL AND ECONOMIC CRISIS ON THE DEVELOPING COUNTRIES IN THEIR EFFORTS TO ACHIEVE THE EDUCATION FOR ALL (EFA) GOALS

SUMMARY

By 181 EX/Decision 57, the Executive Board requested the Director-General to submit to it a concise and analytical report on the impact of the current financial and economic crisis on developing countries' efforts to achieve EFA.

There are no additional policy implications of a financial or administrative nature.

Action expected of the Executive Board: decision in paragraph 15.

1. The status of the financial and economic crisis is still a matter of uncertainty. In major economies, which were responsible for the emergence of the financial crisis, clear signs of recovery are being recorded and growth for 2009 was slightly better than initially anticipated. Yet the crisis has deeply affected the job market and the situation of the poor has deteriorated. Furthermore, the prospects for 2010 are still unclear. In developing countries, the impact of the crisis on macro-economic conditions was more contrasted. For many such economies, the crisis resulted in a reduction in the growth rate. However, the social impact has often been severe. In countries where growth was maintained or restored as a result of vigorous budgetary policies, the size of the deficit jeopardizes future development and tension is felt between the need to sustain government intervention for a longer period and the concern for restoring fiscal balance.

2. **UNESCO's Education Sector has monitored the impact of the crisis on the education sector of its Member States since its outbreak.** Although signs of economic recovery have started to emerge, it is feared that the aftershock of economic turmoil will be profound in social sectors and continue beyond 2010. The effects of the crisis on education have been increasingly felt. When UNESCO conducted a quick survey in 50 countries in March 2009, the overall conclusion was then that the impact of the crisis on government budgets for education was not significant in most developing countries covered by the survey. The case studies for 12 countries conducted in August 2009 gave a somewhat different picture: education budgets were still resilient

in most surveyed countries, but several governments had been revising downwards their budget to reflect the decline in revenue. A more recent work was carried out in November 2009 to assess how schools and households were affected by budget cuts. The main findings of these assessments and from other information sources are summarized below.

3. Impact of the crisis on public education finance and government responses – evidence from 12 country case studies: According to research carried out by the Secretariat in August 2009 for 12 countries,¹ the impact of the global crisis has varied and had a compounded effect in most countries. All case study countries experienced an economic slowdown in 2009 compared to previous years. Analyses showed that government revenues declined and budgets were cut in 2008 and 2009, however the education budget was resilient in a number of countries. A sizeable increase in recurrent expenditure was observed in Armenia, Egypt and Moldova, while other countries were able to register a slight increase. Only Mongolia had to reduce the recurrent budget. The countries that adopted stimulus packages were likely to have substantially increased their capital expenditures on education.

4. Two categories of country situations emerged: (a) where the government has protected the budget for education; and (b) where budgets for education were cut, even after borrowing from abroad. In (b), teachers' wages have been in general more resilient than other budget items. Similarly, primary education has tended to be better protected than post-primary levels, probably as teacher salaries constitute a predominant share in primary education budgets. The budgets for technical/vocational and higher education appeared more subject to cuts, partly as these levels usually consume more non-salary current and capital spending.

5. Four (often interlinked) categories of government responses can be distinguished in the 12 case study countries: (i) "counter-cyclical" measures, mainly observed in middle-income countries with manageable fiscal capacity, allowing them to maintain or increase expenditure by borrowing or drawing on accumulated reserves (Egypt, Thailand and, to a limited extent, Armenia); (ii) targeted social protection, with some countries taking or reinforcing targeted measures, which often protected the most vulnerable (Argentina, Ghana, Mexico, Mongolia and Thailand); (iii) reform-oriented measures aimed at seizing the opportunity of the crisis to improve cost-efficiency, relevance and governance; (iv) budget cuts, which some countries have evenly distributed across all education sub-sectors.

6. Country case studies suggest that most governments were able to protect their education budgets in 2009, as illustrated by the share of education expenditure in government finance that has been maintained or even increased in the majority of case study countries. Stimulus packages, including increased social transfers in the education sector, have been implemented not only in developed countries, but also in developing countries. Many low-income economies have been so far remarkable in protecting education budgets.

7. How education budgets will fare in 2010, in the context of decreased revenue and probable decline in government budgets in many countries, is still a matter of uncertainty and will require continuous scrutiny. The 2010 budgets should post more realistic figures reflecting the decline in revenue in 2009. Government budgets being discussed or projected in 12 case study countries in August 2009 showed the downsizing trend. Whereas economic forecasts projected rebound from late 2009, exit strategies from the stimulus packages were being contemplated in some countries, in order to reduce budget deficits. Such measures will risk jeopardizing social sector budgets, including education.

8. Impact of the crisis on schools and households' expenditure on education: The effects of the crisis on education seem more visible at the community levels than is indicated by

¹ Case studies were conducted during August-September 2009 for Argentina, Armenia, Egypt, Ethiopia, Ghana, Mexico, Moldova, Mongolia, Pakistan, the Sudan (South), Thailand and Tunisia. The findings can be found in: UNESCO (2009), *The impact of the financial and economic crisis on the education sector. No. 2: Impact of the global crisis on public education expenditure: Evidence from 12 country case studies* (ED/EPS/2009/PI/2).

government budget statistics. The case studies already showed that vulnerable households were facing difficulties in meeting school costs; children were being moved to cheaper schools. There were a number of accounts of increased absenteeism, school drop-outs and increased child labour. In some countries, educational quality and equity in public schools were being jeopardized and demand for education was likely to be affected due to declining household income and an increase in families' contributions to absorb rising indirect and direct schooling costs.

9. In order to obtain information on how the global crisis has affected schools, teachers and households, a community-level survey was conducted in November 2009 in two of the most affected countries: Mongolia and the Democratic Republic of the Congo (DRC). This investigation looked at financial flows to schools, student attendance and the ability of households to support their children's education. The findings indicate that the global crisis is producing severe effects on education provision, at the expense of vulnerable populations.

10. In **Mongolia**, accounts are abundant about decreased operational budget in schools, increased student absenteeism and drop-outs, growing pressure on poor households to cover school-related costs and increasing number of schools operating in triple shifts. The reduction of school-level budgets translated mostly into cuts to book and teaching manual costs, operational costs for instruction, maintenance and administration. Many schools passed on some of these cost burdens to parents, at a time when family income has decreased. This has exacerbated the tension that existed before the crisis, eventually leading to conflict between schools and parents, and between teachers and students. Student absenteeism has reportedly increased for different reasons, including the inability of households to afford extra costs and a need to increase income through child labour. It is reported that teachers had to buy instructional materials on their own (equivalent to 10% of monthly salary) and an increasing number of teachers live on salary loans from banks. Teachers' motivation and performance have been reportedly decreased.

11. In the **DRC**, where most schools (around 70%) are privately owned and even public schools depend on student fees (even for teacher salaries), the further decrease in household income has had a direct impact on school operations. The shift of students to cheaper and low-quality schools has been reported in most schools. At the new school year (2009/2010), as schools allowed a waiver of fee payments, many families fear that their children would soon be expelled if fees were not paid until the end of the first quarter. A number of households have sold family assets or reduced consumption of basic goods to supplement school fees. Some poor families had to make a choice and decide which children were entitled to schooling. Early childhood care and education and girls' participation seem to have been severely affected. Many over-aged students did not return to classes in the new school year either due to the high costs of schooling or the need to engage in income-earning activities.

12. **Impact of the crisis on education – the NGO perspective:** UNESCO collaborated with the Collective Consultation of NGOs on EFA (CCNGO/EFA) to conduct a series of case studies aiming to reflect NGOs' perspective on the impact of the crisis on education. The findings confirm that the economic crisis has widened the discrepancy in living standards and that measures taken by governments to cushion the impact of the crisis on the marginalized groups proved insufficient. The crisis brought about an increase in child labour, children's involvement in household work and internal migration in several countries, which in turn led to increases in absenteeism and drop-outs from schools.

13. **Monitoring the effects of the economic crisis on education in Member States will continue.** Current findings suggest that there is no obvious indication that education budgets suffered more than other sectoral budgets in 2009 in many countries. However, there are signs and accounts of the severe impact of the crisis in some countries and communities. It is feared that the aftershocks of the financial crisis will be profound in social sectors, particularly for the most vulnerable people. Member States should persevere in their efforts, keeping in mind that education is one of the most viable channels for economic recovery and sustainable development.

Governments are encouraged to resist the temptation to curb public spending on social services, especially education.

14. Despite the budgetary constraints caused by the financial and economic crisis, governments in developing countries have deployed commendable efforts to protect education budgets. Accordingly, the international community should maintain and increase aid to education, especially for achieving education for all (EFA) goals. Developing countries are being affected by a financial and economic crisis for which they are not responsible. On the other hand, it is feared that international aid, already insufficient before the crisis, may further decline. There are signs that some donor countries are backtracking on earlier aid commitments. **As developing countries are trying hard to protect education budgets, they should not be thwarted in their achievement of the EFA goals by lack of resources.**

Action expected of the Executive Board

15. In view of the above, the Executive Board may wish to adopt a decision along the following lines:

The Executive Board,

1. Recalling 33 C/Resolution 15, 174 EX/Decision 9, 174 EX/Decision 10, 180 EX/Decision 7 and 181 EX/Decision 57,
2. Having examined document 184 EX/10,
3. Reiterating the conclusions and recommendations of the forty-eighth session of the International Conference on Education, which emphasized that funding for education should be a top priority and that the financial crisis should not serve as a justification for a reduction in the allocation of resources to education at both the national and international level,
4. Expresses serious concern that the worldwide financial and economic crisis in some countries is seriously affecting financing of all the UNESCO sectors, in particular education and the achievement of the Dakar goals;
5. Welcomes UNESCO's decision to continue to monitor the effects of the economic crises on education in Member States;
6. Calls upon development partners to fulfill their previous pledges that, as underlined in the Addis Ababa Declaration in February 2010, would lead to a sharp increase in financing for developing countries, which would in turn mitigate the impact of the global financial crisis by introducing measures that would in particular protect the most vulnerable and marginalized groups;
7. Requests the Director-General to include in her activity reports at its 185th session an updated report on the impact of the current financial and economic crisis on the developing countries in their efforts to achieve the EFA goals.