

Policy Paper 06

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Education for All is affordable –
by 2015 and beyond

With fewer than 1,000 days left until the 2015 deadline of the Education for All goals, the global community needs to make a final push to overcome one of the biggest obstacles to education in the world's poorest countries: insufficient finance. If governments and donors make concerted efforts to meet the promises they made in 2000, basic education for all could be achieved by 2015, according to new analysis by the Education for All Global Monitoring Report team.

Consultations in all regions reflect broad support for including the achievement of universal lower secondary education in the post-2015 development framework. Reaching this goal will require further resources, and an expansion of the financing base to include new and innovative sources.

The lack of specific targets for the eighth Millennium Development Goal on a global partnership has let governments and donors off the hook. Similarly, the Education for All Dakar Framework for Action lacked specific targets to ensure governments and donors fulfilled their commitment that no country would be left behind in education due to lack of resources. For the sake of the education of the world's children, we cannot afford to make the same mistake after 2015.

The financing gap for achieving basic education by 2015 has widened

In 2010, the EFA Global Monitoring Report team calculated that after governments had maximized spending on education, it would still take another \$16 billion a year of external financing to achieve good quality basic education¹ for all in low income countries by 2015, ensuring the most marginalized are reached.² Donors have failed, however, to meet the commitment that they made at Dakar in 2000 that no country will be prevented from achieving education for all by a lack of resources. In reality, aid has stagnated in recent years, with

an average of just US\$3 billion being allocated to basic education in low income countries annually over the past four years. The failure of aid to increase sufficiently has left a massive shortfall which, coupled with inflation, has resulted in a doubling of the funding gap.

There has been some good news in domestic spending in recent years, however, helping to ease slightly the legacy left by donor failures. Thanks primarily to economic growth in low income countries, an additional US\$3 billion has been raised for basic education annually. As a result, domestic spending amounts to almost half of the total resources needed for education. Even so, this means that \$29 billion per year is needed between now and 2015 to achieve basic education for all. Taking into account the US\$3 billion currently provided by donors, this leaves a financing gap of US\$26 billion.

Prioritizing existing government and donor resources to those most in need will help to fill the gap

With a short time left before the 2015 deadline, closing the remaining financing gap of US\$26 billion might sound impossible. But our analysis shows that by prioritizing existing government and donor resources at education, and basic education in particular, the gap can be filled. Such targeting is in line with the recommendation that governments should spend up to 20% of their budget on education, and so should be feasible.

Governments in low income countries could raise an additional US\$7.5 billion just by spending 20% of the national budget on education, and allocating 50% of these resources towards basic education.

But governments in the poorest countries cannot fill the gap on their own. Even at its low levels, aid in poor countries accounts for as much as one-fifth of education budgets. The 2012 EFA Global Monitoring Report finds, in nine sub-Saharan African countries, donors



fund more than a quarter of public spending on education. This has already helped to get millions of children into school in countries such as Ethiopia, Mozambique and the United Republic of Tanzania.

Even so, aid to education is stagnating at a time when it is needed the most, and most aid does not reach poor countries. Of the average of US\$5.8 billion in aid contributed to basic education between 2008 and 2011, for instance, less than half was allocated to poor countries. If donors were to increase the share of their aid that goes to education from 9% to 20% by 2015, and half of this funding were allocated to basic education (the same proportions expected of governments), this alone would raise US\$4 billion to help fill the funding gap.

Another option is to ensure that aid resources reach poor countries. Currently around one-quarter of total direct aid to education never even leaves donor countries. This money is spent on scholarships and imputed student costs for students in developing countries to study in donor countries. Allocating three-quarters of these funds to basic education in the poorest countries would contribute US\$2.4 billion. Together with the US\$4 billion in financing that could be raised by targeting aid to basic education, this means that an additional US\$6.4 billion could be raised.

The combined total of US\$14 billion raised by reallocating finance from governments and donors could go a long way to filling the financing gap, reducing it to US\$12 billion.

Increasing the domestic tax base provides a sustainable solution to closing the financing gap

Ultimately, the responsibility for financing Education for All falls on national governments. While many governments in poor countries are already showing their commitment, they could raise more money by broadening their tax base – for example, by reducing the prevalence of tax avoidance.

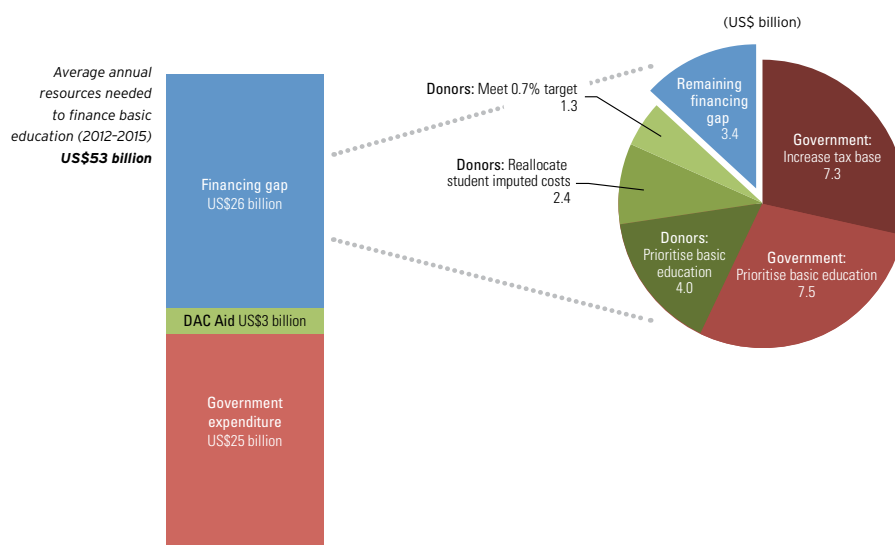
If governments in poor countries were to increase the share of gross domestic product that is available for government spending³, and allocate 10% to basic education, this would contribute an additional US\$7.3 billion, leaving a remaining financing gap of US\$5 billion.

Donors must meet their commitment to allocate 0.7% of gross national income to aid

Economic austerity is no excuse for donors to abandon their pledges to the world's poorest children. European donors committed to allocating 0.7% of their gross national income (GNI) to aid, but most have not reached this target, and some are far off or even going backwards. If those making this commitment were to keep their promise, it would add US\$1.3 billion to the resources available for basic education.

These reforms would collectively reduce the financing gap for basic education in the poorest countries from US\$26 billion to just US\$3 billion (Figure 1). This gap could easily be filled if, for

Figure 1: The US\$26 billion financing gap for basic education could be filled by 2015



Source: Calculations by the EFA Global Monitoring Report team based on EPDC and UNESCO (2009); OECD-DAC (International Development Statistics: Creditor Reporting System); and World Economic Outlook

instance, the United States were to increase its aid commitment to 0.7% of gross national income and target spending at basic education. The gap could also be filled if philanthropic organizations gave as much to basic education as they have given annually to the health sector, on average, over 2005–2010. If these targets are too ambitious to achieve before the deadline of the existing goals, they should certainly be feasible after 2015.

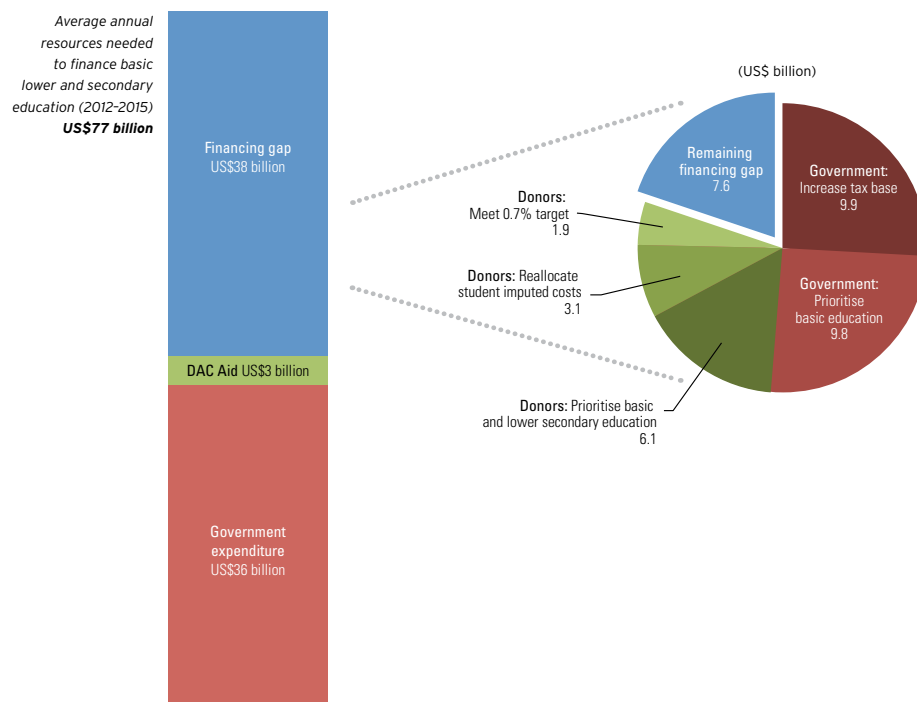
Learning lessons for financing more ambitious goals after 2015

Based on consultations to date, it seems likely that education goals after 2015 will extend towards ensuring all young people, regardless of their circumstances, have an equal chance to gain the skills needed to find stable, well-paid work by completing universal lower secondary education. Including equitable and good quality lower secondary education would add US\$13

billion per year until 2015 to the US\$29 billion annual additional resources needed – a total of US\$42 billion. Taking into account the amount donors are currently spending, the total financing gap would become US\$38 billion per year. This larger financing gap will be more difficult to fill by the 2015 deadline. There is, however, no reason why a lack of finance should hold back progress after 2015. Government and donor prioritization of basic and lower secondary education alone would reduce the financing gap to US\$7.6 billion (Figure 2).

One vital lesson for setting post-2015 goals is that we cannot take for granted that resources will be available to meet international commitments. To avoid the mistakes of the past decade, the post-2015 framework must include a time-bound, measurable financing target for governments, donors and others committed to reaching the goals. Such a target will be all the more important as goals after 2015 become more ambitious.

Figure 2: Including more ambitious education goals post-2015 widens the financing gap to US\$38 billion



Source: Calculations by the EFA Global Monitoring Report team based on EPDC and UNESCO (2009); OECD-DAC (International Development Statistics: Creditor Reporting System); and World Economic Outlook

Enhancing new and innovative sources of finance

These post-2015 ambitions may seem unattainable given the large financing gap that remains. It would be possible to fill the gap for basic and lower secondary education, however, with the support of new and innovative sources of financing that have not sufficiently been exploited over the past decade.

One such source is the private sector, which is one of the key beneficiaries of a skilled workforce. Recent estimates by the EFA Global Monitoring Report team found that private corporations and foundations are contributing only a very small amount to education in developing countries, and an even smaller amount to basic education: US\$135 million – a fraction of the financing needs. A first step in the right direction would be for private donors to reallocate finance that is currently primarily channeled towards middle income countries and higher levels of education. Doing so could increase their support for basic and lower secondary education in poor countries to US\$725 million, but this would still represent only 42% of the contributions by Bill Gates to health in 2010.

Pledges by the private sector at the Global Partnership for Education replenishment meeting in 2011 and the launch of the Global Education First Initiative in 2012 show there is considerable untapped potential to finance post-2015 goals. The Global Business Coalition for Education already provides a platform for mobilizing such resources.

Another source of education finance that should grow after 2015 is the group of emerging economies known as the BRICS: Brazil, the Russian Federation, India, China and South Africa. Their support has received increased attention as they play a greater role on the world stage and traditional donors' aid budgets are constrained by the economic climate. It is hard to know with precision how much emerging donors are giving to education, however, partly because they do not always report aid transparently. The meeting on aid effectiveness in Busan in 2011 failed to reach agreement on the BRICS' adherence to the standards set by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD).

Using the information that is available, the EFA Global Monitoring Report team estimates that the BRICS contribute just US\$163 million per year to basic education. If they increased the share of their aid that goes to education to the recommended 20% and devoted 50% of that spending to basic education, the annual amount given by all BRICS would almost double, but it would still remain very small compared with the financing gap equivalent only to Germany's aid to basic education.

Of the BRICS, China is by far the largest donor, giving around US\$2 billion in 2010 in aid or similar contributions. While this is a large amount, it was equivalent to just 0.03% of its gross national income. Most of China's spending in developing countries is on infrastructure projects, which comprise around 60% of its total development finance. The EFA Global Monitoring Report team estimates that approximately 12% is spent on education based on the total number of projects reported by China in its 2011 White Paper. By increasing its aid as a percentage of gross national income to the target of 0.7% to which European donors have committed, and allocating 20% of this to education (with 70% to basic and lower secondary education), China could raise US\$9.8 billion to finance likely post-2015 education goals.

Other innovations that could help to raise resources for education include the proposed International Financial Transaction Tax, a charge levied on international monetary transactions as a way of reducing exchange rate volatility. According to a conservative estimate, this could generate around US\$48 billion a year, of which half could be dedicated to international development. If just 10% of this tax were allocated to education, this would raise \$2.4 billion, filling a significant portion of the financing gap for basic and lower secondary education.

Setting more ambitious targets for donors

Some donor countries that pledged to increase the share of GNI allocated to aid have not done so. After 2015 all 23 DAC donors, including those who have not yet signed up to the commitment to devote 0.7% of GNI to aid, should meet this target. If they were to do this, and allocate the same share to education expected of recipient governments, they would raise US\$15 billion for basic and lower secondary education.

Mobilizing domestic resources for long-term financing of education post-2015

These innovations would need to be accompanied by continued improvements in domestic financing, which ultimately will be the bedrock for long-term financing of education. Recent analysis by the EFA Global Monitoring Report team found that poor countries with significant natural resources could make huge strides towards universal schooling if they managed resource revenue better and devoted a significant share to education. In 17 countries rich in resources or with recently discovered deposits, resource revenue could raise an additional US\$5 billion per year for education.

Conclusion

Our analysis shows that it should be possible to bridge the annual US\$26 billion financing gap for basic education by 2015. If post-2015 global education goals are more ambitious, extending to lower secondary education, the financing gap will grow to an estimated US\$38 billion. The private sector, which is making its presence known in international education, could do far more. There is also huge potential for the BRICS and innovative sources of finance to increase resources for education.

If those who control resources are to truly make a difference to the education of children worldwide, they need to agree to be accountable for their commitments and deliver these in a transparent way, so that they contribute to agreed objectives on education. To achieve this, the post-2015 framework needs to include explicit financing targets so that all funders can be held to account for their promises.

To enable monitoring of progress in financing, it is vital that donors provide transparent information on the amounts they allocate to different countries and levels of education, and to the most disadvantaged groups within countries. There should be specific targets for contributions from national governments (including how they use revenue from natural resources to benefit education), DAC donors, and emerging donors such as the BRICS and the private sector.

The global community must renew its promise that no country will be left behind in education

due to lack of resources. Further delays will have grave human consequences, especially for the world's most vulnerable children.

Recommendations

1 Meet current promises to fill the financing gap by 2015

Finding \$26 billion a year for equitable and good quality basic education by 2015 is feasible:

- Governments and donors must commit to ensuring 20% of their resources are allocated to education, 50% of which should be spent on primary schooling.
- Donors should reallocate aid spent on scholarships and imputed costs to ensure it reaches developing countries.
- Governments must also identify ways of increasing their tax bases, and ensure a share of this is allocated to education.
- DAC donors committed to contributing 0.7% of GNI to aid must fulfill this promise, with a share allocated to education.

2 Fill the financing gap for more ambitious goals after 2015

If post-2015 education goals include equitable and good quality lower secondary education, the annual financing gap will increase to US\$38 billion. It is vital that new and innovative sources of financing are identified to fill this gap:

- Governments and donors should allocate 20% of education resources to lower secondary education.
- The BRICS, the private sector and innovative financing approaches, such as the International Financial Transaction Tax, could fill the gap.
- All DAC donors should commit 0.7% of GNI to aid, allocating a share to education, equivalent to the targets set for governments.
- Natural resource revenue should be better managed, with a proportion directed towards education.

3 Set a global goal on education financing to hold funders to account after 2015

A specific goal is needed to ensure lack of finance does not hold back progress towards education goals after 2015. Such a goal could be framed as follows:

By 2030, ensure that no country is prevented from achieving education goals by a lack of resources:

- by maximizing government revenue and ensuring that government spending covers education needs, targeting the marginalized when necessary;
- by maximizing aid, and targeting it at countries and groups who need it most;
- by maximizing resources from the private sector, and targeting it at countries and groups who need it most.

Annex Table 1: Benchmarks and targets for government and donor spending

	Government		Donors	
	Target	Actual	Target	Actual
Education % of total	20%	17%	20%	9%
Basic education as a % of total education	50%	43%	50%	43%
Lower secondary as a % of total education	20%	17%	20%	9%

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Notes

1. Basic education includes pre-primary and primary schooling, and basic life skills for youth and adults, as defined by OECD-DAC for the purposes of collecting data on aid flows.
2. The 46 low income countries referred to in this policy paper are the countries for which the education financing shortfall was calculated in the 2010 *Education for All Global Monitoring Report*. Figures in the paper are expressed in 2011 US\$ prices.
3. The target for the share of gross domestic product that is available for government spending varies according to the country's starting point.