TRANSFORMING EDUCATION FINANCING IN AFRICA

A Strategic Agenda for the African Union Year of Education

TAX PAYS FOR EDUCATION

Question and Answers session on tax in Treba, Ghana. CREDIT: ACTIONAID GHANA

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EXECUTIVE SUMMARY

The African Union (AU) Year of Education in 2024 could make decisive breakthroughs to transform education systems if there is coordinated national and Pan-African action on the key forces that impact education financing: tax, debt, and austerity. It also presents an opportunity to advance the goals of the Continental Education Strategy for Africa (CESA) 2016 – 2025.

While the region has made commendable progress in getting learners into school and addressing inequality in education, significant disparities persist, exacerbated by the COVID-19 pandemic. The main drivers of education disparities in Africa are still gender, disabilities, household income, parental education, location, ethnicity, and migrant and refugee status. It is also important to recognise that people's overlapping identities and experiences further compound the challenges they face in accessing quality education. For example, girls who experience multiple and intersecting forms of discrimination because of their class, social origin, sexual orientation, gender identity, disability, or migrant status, amongst other dimensions may face unique challenges and require additional interventions, protection and support to fully enjoy their right to education.

Despite the significant drop in the number of out of school children and advancement towards gender parity our research finds that approximately 38,904,483 children are out of school in Africa, with an estimated 18,846,517 of these being girls. School completion and progression rates are lower for girls, particularly from poorer communities and rural areas, and the quality of education and learning still leaves a lot to be desired. School costs still represent an insurmountable barrier that denies millions of children their right to education. Globally, 44 million additional primary and secondary teachers are needed to meet Sustainable Development Goal (SDG) 4, and the largest need is in Africa. To achieve universal primary and secondary education by 2030, Africa needs to recruit and effectively train 17 million teachers, ensuring their decent working conditions and salaries. Consequently, if African countries are to achieve the continental education strategy (CESA) and SDG 4, a significant increase in education investment is necessary.

CESA 16 – 25 acknowledges that education systems that '*nurture African core values and promote sustainable development*', are only achievable with sustainable financing and mobilisation of resources, especially national resource mobilisation. Yet, Africa sees significant underspending on education. 80% (28 out of 35) of countries where data is available failed to reach the well-established benchmark of a 20% share of the national budget being earmarked for education (see Table 2). Only 7 countries have reached this benchmark. 10 countries are still spending less than a 15% share of their budget on education. Furthermore, only 35 out of the 53 African Union countries studied reported on this data to UNESCO. This is, however, partly the result of inadequate social spending in the face of the burden of debt repayment, International Monetary Fund (IMF) and World Bank imposed austerity and regressive taxation. **Breakthroughs on tax, debt and austerity could transform education financing across the member states of the African Union as this new analysis shows.**

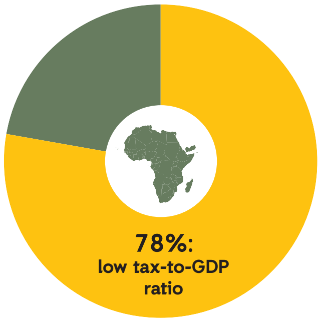
Children in school in Senegal. CREDIT: ACTIONAID SENEGAL

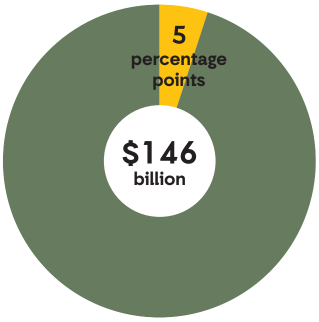
Tax and education

Most education spending in Africa depends on domestic resource mobilisation, particularly on tax revenues.

- **African Union countries are losing at least $8 billion every year in potential tax revenue**, largely owing to aggressive tax avoidance by the wealthiest companies and individuals. This is likely to be a significant under-estimate given the Mbeki Panel findings on illicit financial flows exceeding $50 billion a year.

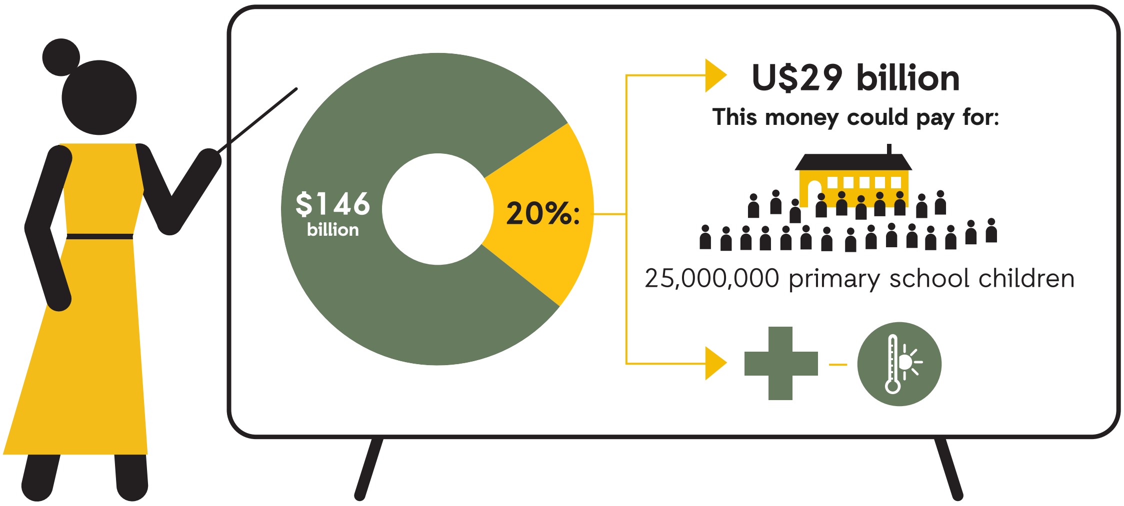
- **Over 78% of African Union countries** (41 out of 52 countries where data is available)[1] **have a low tax-to-GDP ratio** (under 20%) **and 65%** (34 of 52 countries) **have an extremely low tax-to-GDP ratio** (under 15%). The average low-income country has a tax to GDP ratio of 16% and the average tax-to-GDP ratio in OECD countries is 33.5% (which no African Union country reaches).





- **If African Union countries increased their tax-to-GDP ratios by five percentage points** (as deemed realistic in a key IMF paper) **they could raise an additional US$ 146 billion *every year***. Such expansion of tax revenue should crucially come from higher contributions from wealthy individuals and corporations to ensure fairness and address gender inequalities across the tax system.

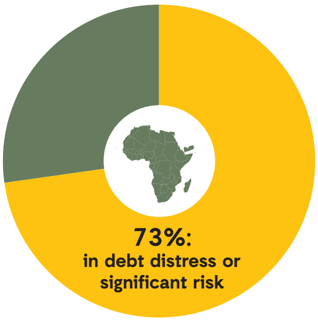
- **If 20% of this $146 billion was allocated to education** - in line with the widely accepted benchmark of the Education for All (EFA) Dakar Framework adopted in 2000 and reaffirmed in the Education 2030 Framework for Action - **that would raise over $29 billion for education every year**. This would be enough to transform the financing of public education, whilst also raising substantial revenue for health, other public services and for responding to the climate crisis. **This is sufficient to cover the costs of education for over 25 million primary school children every year.**



1. Note – there are 55 African Union countries, but 52 countries covered as there is insufficient data on Sahrawi Arab Dem Rep (Western Sahara), South Sudan and Libya.

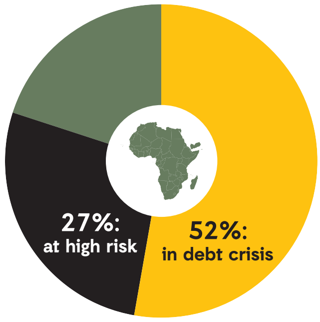
Debt and education

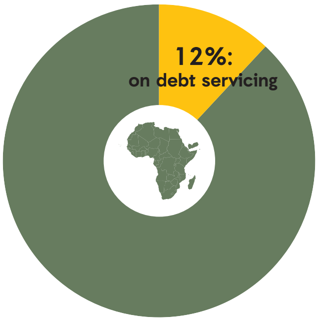
The data in this briefing is a wake-up call for African Union countries regarding the impact of the **debt crisis** on education:



- **Of the 52 African Union countries studied, the IMF identifies that 73% are in debt distress or at significant risk of debt distress (high or moderate risk).**

- **Of the 52 countries analysed, according to Debt Justice, 52% are already in a debt crisis and a further 27% are at high risk of debt crisis.**



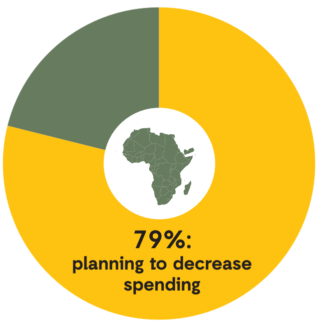


- **28 of the 52 African Union countries are spending over 12% of their national budgets on debt servicing** - the tipping point at which debt servicing tends to trigger reductions in public spending. **20 of these countries are spending over 18% of their national budgets on debt servicing**, the level at which public spending cuts become acute.

- **15 African Union countries are already spending more on debt servicing than they are on education** (*column 5*) – and this number is probably greater as full data is not available for 18 countries. This means, where data is available, 44% of countries are spending more revenue on debt servicing than on education (15 out of 34).

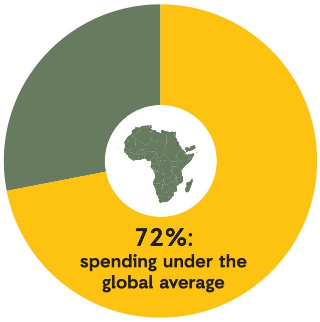
Austerity and education

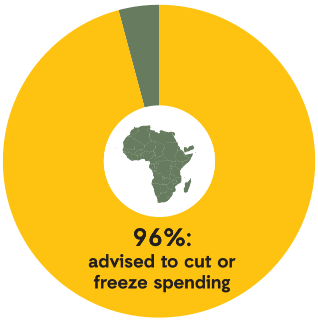
This briefing also outlines serious concerns from the latest data on austerity in Africa:



- **79% of African Union countries are planning to decrease total government spending as a % of GDP between 2023 and 2025.**

- **72% of African Union countries are spending under the global average percent (9%) of GDP on public sector wage bills.** Despite these already low levels of spending on the public sector workforce, 20 countries have seen active declines in their spending on public sector workers as a % of GDP in the past five years, while at the same time additional staff in the education sector are needed for countries to fulfil the right to education for the growing population.





- **In the 28 African Union countries**, where intensive studies have been conducted to look at the IMF policy steer on public sector wage bills, **96% have been advised to cut or freeze spending on public sector workers as a percentage of GDP.**

Conclusion

The African Union's Agenda 2063 lays out a vision of '***an integrated, prosperous and peaceful Africa, driven by its own citizens, representing a dynamic force in the international arena***'. The seeds have been laid by the bold and successful African initiative to demand a new United Nations (UN) Convention on International Tax Cooperation, shifting tax policy making away from the OECD. Momentum can also be built from the Transforming Education Summit (TES) in September 2022, the highest-level education meeting ever, convening Heads of State on an unprecedented scale to address the education crisis. The TES Discussion Paper on Financing developed with 193 UN Member States and the Call to Action on Financing Education, mark a significant turning point in how discussions on education finance are framed. Africa can be at the forefront of delivering on this transformative finance agenda.

Over the years the dominant focus in domestic education spending has been on the share of the budget – seeking to reach at least 20% share of the national budget or 5% of gross domestic product (GDP) allocated to education. However, the Transforming Education Summit laid out a much bigger picture, showing that **the overall size of the government budget was as crucial as the share spent in education**. A fair share of a small pie is a small amount – and a lot can be done to increase the size of the pie. Even as this paper focuses on increasing the overall size of the budget, it is important to ensure that all resources are raised and distributed progressively, meaning in ways that advance equity and address gender and intersecting inequalities. Similarly, guaranteeing mechanisms for transparency and accountability in education financing ensures that the resources actually benefit the schools and communities as intended. In short it is important to address the 4S framework: increasing the share, size, sensitivity and scrutiny of education budgets – as agreed by Africa Union Ministers of Education in the 2018 Nairobi Declaration and call for action on education and as spelt out in the Transforming Education Financing Toolkit.

In the African Union Year of Education, while we continue to urge action to increase the share of budgets spent on education and for these resources to be raised and utilised in ways that address educational inequalities, as a matter of urgency we call for joined up action with Ministers of Finance and Heads of State to take action on tax, debt and austerity – the key areas of policy choices that shape the overall size of the budget. If breakthroughs are made in this area, education will benefit significantly – alongside health, water, sanitation, electrification, public transport, climate adaptation and much more.

Girls in catch up school in Kenya. CREDIT: REHEMA BAYA / AFRICA FILM NETWORK / ACTIONAID

1. ACTION ON TAX AND EDUCATION

African Ministers of Finance have already played a pivotal role globally in demanding action on tax – in part because the impact on education and other public services will be transformative. The African Union call in May 2022 for the *'United Nations to begin negotiations under its auspices on an international convention on tax matters'* laid the foundation. The groundbreaking resolutions passed at UNGA in the 77th Session in December 2022 and the crucial vote on adopting an international tax convention in November 2023 were led by the Africa Group at the UN and were supported vigorously by global education actors. In the AU Year of Education, it makes sense to connect education and finance ministers to amplify these global calls and to focus also on the transformative power of tax for education at a national level.

The case for action on tax for education is reinforced by the Heads of State Transforming Education Summit (TES) in 2022 which called for action nationally to *'increase the fiscal space for education' and 'to reach an adequate tax-to-GDP ratio.'* TES also calls for international support to *'prioritise global actions on taxes supporting international reforms that can help countries increase their tax income in a rapid and progressive way, shifting international financial institutions country-level dialogue to be bolder and more progressive on tax reforms, and ensuring global rules do not push countries into "race to the bottom" strategies in terms of taxes and harmful tax incentives. This includes global action on tax loopholes, agreements on a global asset register, the reduction of illicit financial flows, unfair trade taxation, acting on tax havens and promoting a process for setting fair global tax rules.'*

1.1 Key findings on tax and education

Table 1 in Annex 1 analyses data on tax across African Union member states providing details of:

- Tax losses for each country due to corporate tax avoidance and tax evasion by wealthy individuals.
- Tax-to-GDP ratios.
- Total GDP in US$ millions.
- Tax revenue in US$ millions.
- Additional revenue that would be raised by increasing tax to GDP by five percentage points.
- The amount in US$ millions if 20% of this was allocated to education.
- How many primary school children this increment (20% of the additional revenue raised) could cover.

The findings are shocking:

Africa Union countries are losing over $8 billion every year in potential tax revenue, largely owing to aggressive tax avoidance by the wealthiest companies and individuals. This is almost certainly an under-estimate rather than an overestimate as much of the data is under-reported.

Over 78% of African Union countries (41 out of 52 countries where data is available) **have a low tax-to-GDP ratio** (under 20%) **and 65%** (34 of 52 countries) **have an extremely low tax-to-GDP ratio** (under 15%). The average low-income country has tax to GDP ratio of 16% and the average tax-to-GDP ratio in OECD countries is 33.5% (which no African Union country reaches).

- 14 countries under 10%
- 20 countries from 10-15%
- 7 countries between 15% and 20%
- 9 countries between 20% and 30%
- 2 countries above 30%

If the African Union countries increased their tax-to-GDP ratios by five percentage points (as deemed realistic in a key IMF paper) **they could raise an additional US$ 146 billion *every year*. It is vital that this revenue is raised in a progressive manner so that wealthy individuals and corporations shoulder the largest share of the tax.**

If 20% of this $146 billion was allocated to education (in line with the widely accepted benchmark) that would raise over $29 billion for education *every year* - enough to transform the financing of public education. Table 1 demonstrates that for most countries, this sum would be enough to pay for all out-of-school children of primary school age at current rates of government expenditure per pupil, sometimes, leaving additional resources available to address enrolment at secondary level or increase per-pupil investment in education. All of this is achieved whilst also raising substantial revenue for health, other public services and responding to the climate crisis. This is a way to achieve education goals alongside other SDGs, avoiding the inter-sectoral tensions that arise when education advocates focus only on increasing the budget share allocated to education. This sum far exceeds the contribution of aid to education (and other sectors).

In the 25 African Union countries where data is available the additional $29 billion is sufficient to cover the costs of education for over 25 million primary school children every year.

1.2 What the African Union could and should do on tax

It is clear that action on tax at both national and international levels could help to transform education financing across the African Union. So, what should the African Union and member states do?

NATIONALLY

- The IMF estimates that most countries could **expand their tax-to-GDP ratios by five percentage points** in the medium term. In AU countries this could raise $29 billion every year for education (out of a total of $146 billion that would also enable transformations in health, other public services and climate adaptation). This would allow many countries to dramatically increase – even double - their spending on public education. Countries should make progressive action on tax a core priority, supporting a dialogue between Ministries of Education (and other social sector ministries) and Ministries of Finance and take steps to ensure that new taxes are levied on those that can best afford to pay, e.g. wealthy individuals and corporations that in many countries pay very little tax today.

- Given the African Union's commitment to gender equality and inclusion, and to act on the climate crisis, it is important to champion an expansion of revenues through tax policies that are:
  - **progressive** – ensuring the largest contributions are made by the wealthiest individuals and companies; tax systems in Africa tend to be regressive – passing more burden onto people who are least able to pay – so a focus on progressive tax is particularly important;
  - **gender-responsive** – to address gender inequalities and ensure that women and girls are not disadvantaged – which they are by taxes like Value Added Tax; this is particularly important so that countries can match their commitment to gender responsive education policies with a commitment to gender-responsive sources of financing for education; and
  - **climate sensitive** – designing taxes that incentivise sustainability and discourage behaviours that accelerate the climate crisis, while generating revenue for redistribution to communities to cope with the costs of climate impacts, particularly on education. This is a new area for tax policy and one where Africa could get ahead of the curve.

REGIONALLY AND INTERNATIONALLY

- **The African Union should agree on a collective resolution that urges all member states to move ambitiously towards increasing tax-to-GDP ratios between now and 2030** – ideally by five percentage points – seeing this as a critical step towards achieving Agenda 2030 and Agenda 2063.

- As the TES finance paper makes clear, many countries will struggle to increase tax-to-GDP ratios at the rate needed because of unfair global tax rules that facilitate the transfer of vast sums into tax havens. Having won the first stage of the battle for a UN Tax Convention **the African Union should be in the forefront of shaping what the UN Tax convention looks like in practice and should champion the setting up of a well-resourced capacity at the United Nations to set and enforce global tax rules in a democratic and representative way.** The African Union should be vocal in all spaces on tax, continuing to challenge the legitimacy of the OECD processes and ensuring that obstacles to reform are overcome.

- **The African Union should also support new tax initiatives around the world, while ensuring that a fair share (20%) of any revenues generated are earmarked for education.** In particular, this might involve working closely with those arguing for global taxes in the light of the climate crisis, where there is a lot of political momentum for making a breakthrough. This should include raising the case for education in championing the following:
  - **Windfall taxes** on excess profits of the biggest global corporations. This could raise almost $1 trillion a year in 2020 and 2021 from just 722 mega-corporations (including 45 energy corporations that made an average of $237 billion a year in windfall profits in 2021 and 2022).
  - **Wealth taxes** of 2-5% on the world's wealthiest elites – which could raise $1.8 trillion a year – and which would also help to limit some of the most climate polluting behaviours.
  - **Financial transactions taxes** - fixed at 0.1% - which could raise $777 billion over ten years in the US alone - and which could also limit some of the worst speculative financial behaviour (where very large speculators work with very tight margins).
  - **Climate-related taxes** – given the crucial importance of education as part of a just transition. This

could include the African Union ensuring regional priorities and perspectives, especially in prioritising financing for education, social protection, public services and climate response and adaptation, are included in calls for:

a. **Carbon taxes** – such as a climate damages tax (levied on fossil fuel companies extracting oil, gas and coal – which could raise between $75 and $150 billion), and luxury carbon taxes (targeting high emitting private jets and yachts, especially in light of evidence of low taxes on private jets and all aviation fuel being tax free). Carbon taxes must be progressive and must not shift the burden onto people less able to bear it. They must also not lead to perverse effects such as rising food prices for developing countries and communities living in remote areas, who are highly dependent on shipping for food and resources.
b. **Taxes on aviation emissions** - a €10 ($10.77) charge on some of the 4.5 billion air journeys taken annually (targeting the 5% of the global population who take more than one flight a year) could raise €40 billion (over $43 billion). Some analysts argue a frequent flyer levy may be fairer. As well as raising revenue either of these would help to decrease emissions from aviation (which make up 2.5% of global carbon emissions).
c. **Taxes on shipping emissions** – a $150-a-Ton Carbon Tax on Shipping Fuel could raise over $100billion and incentivise cleaner shipping, reducing the 2% of global emissions attributable to shipping. To ensure a just transition, any rises in food prices that may occur should be offset by ensuring social protection systems are in place, so the burden does not disproportionately impact the poorest, the largest share of which are women.

- **The African Union should offer capacity development support to Ministries of Education and development partners** on the crucial links between tax and education – drawing on the expertise developed by the Tax and Education (TaxEd) Alliance and using for example, the UNESCO-supported training resources based on the Transforming Education Financing Toolkit.

- Broader support should be offered to support the work of the Africa Tax Administrators Forum (ATAF) including towards strengthening the capacity of national tax administrations, tax policies and regional cooperation.

- **The African Union should encourage Member States to join forces with other regions in the Global South**, especially Latin America, on tax policies. This would make it possible to not only strengthen their collective voice and bargaining power in international tax negotiations, for example the UN Convention on International Tax Cooperation, but also to share knowledge and pool technical expertise to more effectively implement reforms aligned with their human rights requirements.

Primary School in Uganda. CREDIT: ANDREW ONAPITO

2. ACTION ON DEBT AND EDUCATION

The scale of the debt crisis in Africa was a clear issue flagged at the 6th Congress of African Economists in December 2023 and is reinforced by the latest data from the African Forum and Network on Debt and Development (AFRODAD). Africa's average debt-to-GDP ratio is presently 66% and the cost of new borrowing is excessively high. The impact on education was made clear by H.E. Douglas Syakalimam, Zambia's Minister of Education, who noted that, in addition to high costs of debt servicing, African countries are also faced with wider challenges: *"To increase our domestic resource mobilisation capacity, Africa needs to tackle three types of challenges: address the structural bottlenecks of high levels of informality, a lack of fiscal legitimacy and administrative capacity constraints; reverse the current erosion of the existing tax bases due to excessive granting of tax preferences, inefficient taxation of extractive activities and an inability to fight abuses of transfer pricing by multinational enterprises; re-equilibrate the tax mix of many African countries that rely excessively on a narrow set of taxes.'*

Africa's debt is unsustainable partly due to its structure. Dollarised debt leaves countries vulnerable to the vagaries of the global financial market, these external shocks often have far-reaching impacts on African economies. Secondly, African countries may struggle to access foreign exchange, currency exchange increases the cost of debt repayments. Lastly, dollarised debt is reminiscent of and perpetrates the violent and exploitative global financial architecture, as it further embeds and creates a dependency on hegemonic powers and its institutions like credit rating agencies.

The Transforming Education Summit Finance Paper called for urgent action on debt, observing: *'It is clear that action on debt renegotiations and even debt write-offs for countries in debt crisis urgently needs to be accelerated. Any country that spends more on debt servicing than on education ought to be prioritised.'* The challenge, however, is that education is barely factored into national or global discussions on debt.

2.1 Key findings on debt and education

Table 2 in Annex 2 looks at four key data sets for African Union Member States:

- The risk of debt distress as defined by the IMF.
- The debt status of countries according to the database of Debt Justice.
- External debt payments as a percentage of government revenue.
- Education spending as a share of total government spending.

The data is revealing:

73% of African Union States are at significant risk of debt distress (high or moderate risk) or are already in debt distress *(according to IMF data – column 2). No country where data is available is deemed to be low risk.*

- 8 countries are in debt distress.
- 13 countries are at high risk of debt distress.
- 17 countries are at moderate risk of debt distress.
- 14 countries do not have data available.

An alternative data analysis by Debt Justice (column 3) **shows that 52% of African countries are already in a debt crisis and a further 27% are at high risk of debt crisis.** Only 9 countries have no identified risk:

- 27 countries are in debt distress.
- 14 countries are at high risk of public and private debt distress.
- 9 countries have no risk identified.
- 2 countries do not have data available.

28 of the 52 African Union countries studied are spending over 12% of their national budgets on debt servicing *(column 4)* – the tipping point at which debt servicing tends to trigger reductions in public spending. **20 of these countries are spending over over 18% of their national budgets on debt servicing – which is the level where public spending cuts become acute.** In its 2020 analysis of 60 countries, Debt Justice found that the countries paying over 18% of government revenue in debt servicing, cut public spending by 13% whilst countries with lower debt payments increased public spending on average by 14%.

15 countries are already spending more on debt servicing than they are on education (*column 5*) – and this number is probably greater as full data is not available for 18 countries. This means, where data is available, 44% of countries are spending more revenue on debt servicing than on education (15 out of 34).

2.2 What the African Union could and should do on debt

The African Union could support action on debt at both national and international levels to help transform funding for education and other essential services:

NATIONALLY

- **Build the evidence base for debt relief, restructuring, and in some cases, cancellation**, wherever debt servicing exceeds the spending on education. Repaying loans, especially those that did not contribute to national development, should not come at the cost of violating the right to education. This means at a minimum debt service should be lower than 18% of public expenditure.

- Reach out to Ministries of Finance and Heads of State in other countries that are facing similar problems with debt servicing undermining the financing of public education in order to **strengthen a coordinated regional response to the debt crisis**.

- Support **improved public debt management policies** that ensure that any future loans can only be taken out and managed with full transparency, accountability, and parliamentary approval, limiting the risk of future debt crises.

REGIONALLY AND INTERNATIONALLY

- Recognise that this is the worst ever debt crisis in Africa and increase **regional cooperation** in calling for bold new international action on the debt crisis – insisting on the need for a collective response rather than country-by-country negotiations.

- Build momentum behind the Sal Declaration from the African Caucus in July 2023 which calls for *'facilitating debt relief that is equitable, rapid, comprehensive, and sizable'* and for a transformation of the multilateral debt restructuring frameworks.

- Emphasise in **media communications** that progress on education is being undermined by the debt crisis, **collecting case studies** from different countries that show the devastating impact of debt servicing on the right to education and the achievement of education goals.

- Support **international calls for new legislation** to ensure that private creditors participate in debt relief initiatives (as presently being advanced in USA and UK).

- **Raise the impact of debt on education and other services in international forums** including in IMF / World Bank annual meetings and G7 and G20 meetings.

- Support proposals to revise the international financial and debt architecture to ensure sufficient financing can be mobilized in support of long-term, sustainable development objectives, including by removing conditionalities that require cutting expenditure on education as a pre-requisite to attain new financing.

- Support the creation of an **independent debt restructuring mechanism**, under the auspices of the United Nations. This would provide equal access to comprehensive information and independent technical support to the country team in charge of the renegotiation process.

Primary School in Malawi. CREDIT: THOKO CHIKONDI / ACTIONAID

3. ACTION ON AUSTERITY AND EDUCATION

Austerity has become the default policy across Africa – even in determining the budget of the African Union itself. This is reinforced by the significant power of the IMF and World Bank over the past decades - who remain attached to an ideology of austerity despite the lack of evidence to justify public spending cuts. The evidence instead shows that even the IMF's social spending floors are deeply inadequate. Austerity not only undermines people's human rights, but also prevents a more buoyant, inclusive and sustainable economy. In the first annual meetings of the IMF and World Bank held on African soil for 50 years, in Marrakech in October 2023, many organisations called out the fifty years of failure of these international financial institutions, with the failures closely linked to their outdated support for austerity policies. The education sector is one of the most acutely affected by cuts, freezes, or squeezes in public spending, which in turn has a disproportionate negative impact on girls and women. Girls are more likely to be excluded from accessing basic education when budgets are cut; women lose access to some of the best opportunities for decent work as teachers and other education personnel; and both girls and women bear a disproportionate share of the unpaid care and domestic work that rises when public services fail. Austerity in the form of advancing privatisation also undermines the realisation of human rights contrary to Article 17 of the African Charter on Human and Peoples' Rights[2] on the right to education, in combination with the African Commission on Human and Peoples' Rights' General Comment 7 on State obligations under the African Charter in the context of private provision of social services. Strengthened public education guarantees that every individual enjoys their right to education regardless of their status.

On austerity, the UN Transforming Education Summit focussed in particular on the impact of the IMF's use of public sector wage bill constraints - that are a flagship austerity policy. The TES Call to Action on Finance urged *'the International Monetary Fund (IMF) and other international financial institutions to remove existing obstacles such as public sector wage constraints that prevent increased spending on education; and champion policies that will allow significant new recruitment of professional teachers wherever there are shortages.'*

2. The Kingdom of Morocco is the only African country that has not yet ratified the African Charter on Human and Peoples' Rights.

3.1 Key findings on austerity and wage bills

In Table 3 in Annex 3, to analyse trends in austerity and their impact on education, three datasets are laid out for African Union countries:

- The projected change in total government spending as a % of GDP from 2023-2025.
- The percentage of GDP spent on the public sector wage bill.
- The most recent IMF advice on public sector wage bills – drawing on detailed studies from three different sources.

Once again, the findings are striking:

79% of African Union countries are planning to decrease total government spending as a % of GDP between 2023 and 2025. Of the 53 countries studied in this table:

- 9 countries plan to increase spending.
- 1 country plans to stay even.
- 22 countries plan to cut government spending between 0-1%.
- 9 countries plan to cut government spending between 1-2%.
- 11 countries plan to cut government spending by over 2%.
- 1 country has no data.

72% of African Union countries are spending under the global average percent of GDP on public sector wage bills:

- 15 countries above the global average of 9%.
- 26 countries between 5% and 9%.
- 12 countries under 5%.

Despite these already low levels of spending on the public sector workforce, 20 countries have seen active declines in their spending on public sector workers as a % of GDP in the past 5 years. There is a continuing downward cycle.

In the 28 African Union countries where intensive studies have been conducted to look at the IMF policy steer on public sector wage bills:

- **19 countries have been advised to cut public sector wage bills as a percentage of GDP.**
- **8 have been advised to freeze the public sector wage bill as a percentage of GDP.**
- Only 1 country was advised to increase spending on the wage bill.

Education is one of the highest spending sectors (often 15 to 20% - as shown in table 2, annex 2). When there is an overall squeeze on public spending, it is almost impossible for education budgets to be unaffected – even where promises are made to protect them.

More specifically teachers are almost always the largest group on the public sector wage bill – so when public sector wage bills are cut or frozen, this almost always requires cuts in the number of teachers (even where there are teacher shortages) or cuts to teacher pay (even where teachers are underpaid). These issues are elaborated further in the short policy briefing Education versus Austerity.

3.2 What the African Union could and should do on austerity

NATIONALLY

- Study this data at country level and reverse the narrative around the need to squeeze **overall public sector wage bill policies** as these profoundly, and often disproportionately, affect the teacher workforce and other education personnel.

- Demand and apply a human rights assessment of austerity measures, an ex-ante, during and ex-post human rights impact analysis of every austerity or fiscal consolidation policy or recommendation.

- **Support Ministries of Education and other groups to collect evidence on national teacher shortages** and retention issues at different levels (collated in relation to international benchmarks / standards / pupil to trained teacher ratios etc) and support long term planning / projections on the levels of teacher and education personnel needed to deliver SDG4.

- **Ensure that data on the impact of austerity on education is made available to Ministries of Finance / Planning** etc. and that data on teacher shortages / teacher pay is on the table when the Ministries discuss public sector wage bill policies with the IMF. Research has found that the IMF and Ministries of Finance do not usually have that data available or actively in mind when discussing and agreeing public sector wage bill constraints.

- **Put forward evidence on alternatives to austerity** / public sector cuts which could help to transform education financing. These alternatives include:
  - Expanding progressive tax reforms (as outlined above).
  - Reducing or eliminating debt (also see above).
  - Eliminating illicit financial flows (see financialtransparency.org and UNCTAD).
  - Eliminating waste in public expenditure.
  - Eliminating corruption.
  - Using government reserves for strategic long-term investments in education.

- **Support capacity development programmes for all key actors** to understand the connections between public sector spending / wage bill policies and the impact on education and the education workforce. Particularly building the capacity of parliamentarians, as the people representatives, to push for transparency and participation in the IMF loan programmes negotiation processes.

- **Support Member States to prioritise public financing and provision of education** instead of favouring the delegation of education provision to private actors, including through public-private partnerships.

REGIONALLY AND INTERNATIONALLY

- **Ask African Board members at the IMF to ensure that the IMF commits to engage with global education actors** - and for a sustained dialogue to be developed with the IMF around the TES finance agenda. An end to harmful austerity policies and restrictions of wage bills cannot be made without the IMF coming to the table for a serious and evidence-based discussion considering the institutions key role in setting fiscal policies in advancing progress on tax and debt.

- **Request the IMF to routinely collate evidence on the impact of fiscal consolidation on public services, particularly the public sector wage bill constraints** on education, including teacher numbers (at different levels) / teacher retention / education budgets and to publish this annually. Offer support to the analysis of this evidence

- Request the IMF apply a human rights assessment of austerity measures, an ex-ante, during and ex-post human rights impact analysis of every austerity or fiscal consolidation policy or recommendation.

- **Send a collective African Union message to request that the IMF change their standard practice / guidance** so that in all Article IV discussions at national level, evidence on the current state of the teaching profession / teacher shortages is considered before making any recommendations for cuts or freezes to wage bills that may impact the profession.

- **Support a session on education / the TES finance agenda in every annual and spring meeting** of the IMF / World Bank - which involves both Ministries of Finance and Ministries of Education and addresses the strategic finance issues addressed in this paper.

- **Support the new UN High-Level Panel on Teachers to document the impact of public sector wage bill constraints** on the teacher workforce and to make strong recommendations for action.

Primary School in Malawi. CREDIT: THOKO CHIKONDI / ACTIONAID

4. CONCLUSION

The African Union Year of Education comes at a critical moment and could help to accelerate progress on education across the continent. To make significant progress it will be important to focus on financing in addition to the conventional focus on the share of national budgets going to education (even though this is important). Attention needs to be paid to the overall size of government budgets - that determines what a 20% share means in practice. This means stepping out of the usual education comfort zone to engage in strategic discussions nationally, regionally, and globally on critical issues of tax, debt, and austerity policies – and how they shape the resources available for education.

In 2016 the Education Commission Report observed that globally 97% of the financing available for public education systems comes from domestic resources.[3] All the bilateral and multilateral aid for education, and all the loans for education, add up to less than 3% of total resources. Yet regional and international meetings on education routinely spend over 90% of their time talking about the 3% and largely ignore what can be done to expand domestic financing. This was challenged at the Transforming Education Summit (TES) and in particular by the TES Discussion Paper on Financing and the Call to Action on Financing Education.

Whilst African Union member countries have made some progress in focusing on securing a greater **share** of national budgets to be earmarked for education (emphasising the benchmark of 20%), this creates some tensions with health and other sectors and there are limits to how big a share of domestic revenue can be allocated to education when there are competing demands. Adding a focus on the **size** of the overall government budget – which is determined most significantly by tax revenues (and influenced significantly by debt and macro-economic policies) - could be transformative and could help build a common cause with other sectors (as a rising tide of tax revenues can lift all sectors together).

3. This varies with countries from different income groups but even in low income countries only %18 of total spending comes from overseas development aid – and in lower middle income countries it is just %2 (see Education Finance Watch 2021)

The African Union has already played a powerful role globally in demanding changes to the way tax rules are set and enforced – and the progress made towards a UN Tax Convention would not have happened without the coordinated efforts of African countries. That needs to be sustained and similar regional and international efforts are now needed to address the debt crisis which is presently undermining the capacity to make progress on education and other development goals in many African countries. There is a similar opportunity for the African Union to push back against the discredited ideology of the international financial institutions, that drive outdated austerity policies with a devastating impact on education.

At the moment, spending on education is treated by the IMF and many ministries of finance largely as pure consumption - something that does not yield a significant economic return. But this is based on short term thinking. Even if in a three-to-five-year period education may not seem to provide an instant return (even though it is often popular politically) - but in the long term it is widely considered to be the soundest economic investment any country can make. Most dramatic improvements in the development fortunes of States are based on sustained investment in public education systems - but this requires long term investment and long term, strategic thinking. The African Union Year of Education should mark the moment when African governments make this switch in mind-set – to thinking and planning long term and to recognising education as the best investment that can be made to fulfil the vision of Agenda 2063.

There are many bold African leaders who championed education in the liberation struggles and the early years of independence, including Nyerere, Nkrumah, Lumumba, and Cabral, who recognised investment in education as pivotal to delivering on the promise of equity and justice. But global economic forces have not changed fundamentally over the past 70 years. The global financial architecture was shaped at the end of the second world war (creating the IMF and World Bank), before most African countries achieved independence. Global rules on tax and debt, the voting structures in key institutions, and the hegemonic ideologies of austerity, remain little changed – and these are now powerful obstacles to making progress on education.

The African Union Year of Education could and should be a turning point. Former Tanzanian President Kikwete chairs the Global Partnership for Education and President Akufo- Addo of Ghana is taking forward the declaration on education financing that was first championed by Kenya's former President Kenyatta in 2021. Civil Society leaders are also speaking up for fundamental change, recognising the links between changing education systems and wider economic system change. But many more leaders need to come forward across the continent to ensure that 2024 truly marks a transformative year for education- through first investing in quality public education for all.

Annex 1: Table 1. The data on tax and education

1	2	3	4	5	6	7	8	9	10
Africa Union countries	**Total tax loss** (from State of Tax Justice Report 2023, Tax Justice Network) *(US$ millions)*	**Tax to GDP ratio** Our World In Data 2022 (* = other sources used)	**GDP in US$ million** Data (worldbank.org) (2022)	**Tax revenue in US$ Millions** *(from columns 3 and 4)*	**Additional revenue if tax-to-GDP raised by five percentage points –** *(calculated from columns 3 and 5)* in US$ millions	**Increase in education budget if 20% of this is spent on education –** *(calculated from column 6)* in US$ millions	**Number of out-of-school children of primary school age (2022)** UNESCO Education Estimates	**Number of out-of-school children of primary school age, female (2022)** UNESCO Education Estimates	**Number of children of primary school age the increment in column 7 would cover at current cost per pupil* (based on** GEM Report 2023, Table 1, column I
Algeria	62.5	14.1	194,998	27,495	9,750	1,950	60,620	31,330	n/a
Angola	309.8	22.4	106,782	23,919	5,339	1,067	1,165,000	740,200	n/a
Benin	16.3	13.2*	17,396	2,296	870	174	166,200	93,680	840,579
Botswana	16	23.9	20,355	4,865	1,018	204	44,910	20,380	n/a
Burkina Faso	12.3	15.9	18,820	2,992	941	188	928,400	454,500	657,342
Burundi	1.9	16.2	3,338	541	167	33	199,100	82,590	n/a
Cameroon	65.8	13.0	43,644	5,674	2,182	436	558,700	303,300	n/a
Cape Verde	11.2	17.8	2,226	4,396	1,235	247	3,417	1,936	149,064
Central Af Rep	0.4	7.2	2,383	276	192	38	404,000	208,400	n/a
Chad	5.3	7.9	12,704	1,004	635	127	1,234,000	693,900	1,154,545
Comoros	13.8	7.7	1,242	96	62	12	39,580	20,380	n/a
Congo	577.8	8.7	15,817	1,376	791	158	141,300	72,940	n/a
Cote d'Ivoire	121.3	12.9	70,019	9,032	3,501	700	389,000	213,600	1,380,670
DRC	210.6	12.0	64,719	7,766	3,236	647	3,324,000	1,669,000	n/a
Djibouti	11.2	10.6	3,515	373	176	35	34,600	19,280	27,777
Egypt	438.4	15.2	476,747	72,466	23,837	4,767	117,200	40,610	n/a
Equat. Guinea	9.9	5.0	12,029	674	674	135	116,200	56,250	n/a
Eritrea	1.3	8.0*	2,065	165	103	21	275,300	139,400	n/a
Eswatini	16.3	24.7	4,790	1,183	239	48	15,210	9,229	n/a
Ethiopia	53.4	11.6*	126,783	14,707	6,339	1,268	3,354,000	1,949,000	9,323,529
Gabon	47.2	22.2	21,071	4,678	1,054	211	n/a	n/a	n/a
Gambia	18.2	9.2	2,187	201	109	22	70,220	24,400	119,565
Ghana	115.0	13.1	73,766	9,663	3,688	738	510,600	227,500	n/a
Guinea	7.9	11.4	20,999	2,394	1,050	210	478,200	274,100	1,228,070
Guinea Bissau	1.6	9.4	1,634	154	82	16	123,700	64,040	n/a
Kenya	189.8	14.5	113,420	16,446	5,671	1,134	727,200	n/a	2,772,616
Lesotho	2.0	33.1	2,236	741	112	22	6,639	2,790	34,161
Liberia	205.8	12.4	4,001	496	200	40	240,800	106,200	164,609

Madagascar	13.0	9.2	15,297	1,407	765	153	678,800	295,600	n/a
Malawi	33.1	8.3	13,165	1,093	658	132	447,200	211,800	1,064,516
Mali	34.7	13.4	18,827	2,523	941	188	1,409,000	738,300	650,519
Mauritania	8.2	12.5	9,781	1,223	489	98	222,100	107,200	284,058
Mauritius	312.2	19.5	12,948	2,525	647	129	122	0	373,913
Morocco	982.5	21.2	130,193	27,601	6,510	1,302	120,400	54,360	n/a
Mozambique	147.3	21.3	18,406	3,920	920	184	330,200	182,600	n/a
Namibia	57.33	26.7	12,915	3,448	646	129	5,644	1,915	n/a
Niger	1.1	9.6*	15,342	1,473	767	153	2,081,000	1,083,000	1,296,610
Nigeria	554.0	7.2*	472,624	34,029	23,631	4,726	9,842,000	4,797,000	n/a
Rwanda	5.1	14.3	13,311	1,903	665	133	97,400	37,170	488,970
Sao Tome & P	0.1	11.6	543	63	27	5	2,517	1,073	n/a
Senegal	82.3	18.5	27,684	5,122	1,384	277	933,800	396,500	644,186
Seychelles	121.5	27.0	1,588	429	79	16	3	0	4,095
Sierra Leone	7.1	10.7	4,095	438	205	41	213,500	96,390	127,329
Somalia	3.3	2.2	10,420	229	520	104	n/a	n/a	n/a
South Africa	2,006.3	27.8	405,271	112,665	20,263	4,053	776,400	340,600	1,482,985
Sudan	3.7	3.0	51,662	1,550	2,583	517	3,308,000	1,289,000	n/a
Tanzania	124.7	11.2	75,732	8,482	3,787	757	1,907,000	941,200	n/a
Togo	10.6	13.2	8,341	1,101	417	83	97,690	42,440	336,032
Tunisia	307.7	32.5	46,304	15,049	2,315	463	5,811	2,124	80,117 +
Uganda	34.3	11.1	45,567	5,058	2,278	456	1,065,000	441,600	n/a
Zambia	829.5	16.4	29,163	4,783	1,458	291	471,200	201,300	613,924
Zimbabwe	51.3	14.9	27,366	4,077	1,368	274	161,600	66,410	n/a
TOTAL	**8,274**			**456,260**	**146,576**	**29,312**	**38,904,483**	**18,846,517**	**25,299,781**

Note – there are 55 African Union countries, but 52 countries covered as there is insufficient data on Sahrawi Arab Dem Rep (Western Sahara), South Sudan and Libya
**The current cost per pupil is often lower than it should be, but this provides an indication of the scale of impact – in almost every case it would be more than enough to get all out of school children into school and cover many more.*
+ = secondary school pupils - used where primary school data not available but secondary school data is available.

- 14 countries under 10%
- 20 countries from 10-15%
- 7 countries between 15% and 20%
- 9 countries between 20% and 30%
- 2 countries above 30%

Annex 2: Table 2. The data on debt and education

1	2	3	4	5
Africa Union countries	**Risk of Debt Distress** (Nov 2023) DSAlist.pdf (imf.org)	**Risk analysis by** Debt Justice (2023)	**External debt payments as a percentage of government revenue 2022** Debt data portal	**Education spending as share of total govt expenditure** GEM Report 2023: Table 1, column H
Algeria	n/a	No risk identified	0.2	n/a
Angola	n/a	Crisis	30.9	n/a
Benin	Moderate	Crisis	23.1	17.7
Botswana	n/a	No risk identified	2.9	n/a
Burkina Faso	Moderate	No risk identified	8.3	22.7
Burundi	High	Risk of public debt crisis	4.8	19.5
Cape Verde	Moderate	Crisis	24.6	15.2
Cameroon	High	Crisis	24.2	16.9
Central Af Rep	High	Risk of public debt crisis	9.0	n/a
Chad	high	Crisis	18.5	15.7
Comoros	High	Risk of public debt crisis	8.6	n/a
Congo	Distress	Crisis	21.0	15.6
Cote d'Ivoire	Moderate	Crisis	24.8	16.6
DRC	Moderate	No risk identified	9.7	14.0
Djibouti	High	Crisis	34.1	14.0
Egypt	n/a	Crisis	18.8	n/a
Equat. Guinea	n/a	n/a	n/a	n/a
Eritrea	Distress	No risk identified	4.0	n/a
Eswatini	n/a	No risk identified	4.3	n/a
Ethiopia	Distress*	Crisis	27.3	n/a
Gabon	n/a	Crisis	18.9	n/a
Gambia	High	Crisis	23.1	11.4
Ghana	Distress	Crisis	28.2	18.6
Guinea	Moderate	Crisis	13.7	14.3
Guinea Bissau	High	Crisis	19.4	n/a
Kenya	High	Crisis	18.9	19.0
Lesotho	Moderate	No risk identified	6.6	14.4
Liberia	Moderate	Risk of public debt crisis	7.0	7.4
Madagascar	Moderate	Crisis	9.1	19.8
Malawi	Distress	Crisis	43.2	15.8
Mali	Moderate	Risk of public & private	11.4	16.2
Mauritania	Moderate	Crisis	26.1	9.1
Mauritius	n/a	Risk of private debt	8.1	14.5
Morocco	n/a	Risk of public debt crisis	14.3	n/a
Mozambique	High	Crisis	17.3	17.4
Namibia	n/a	n/a	7.6	n/a
Niger	Moderate	Risk of public & private	11.9	16.3
Nigeria	n/a	No risk identified	5.8	n/a
Rwanda	Moderate	Risk of public debt crisis	6.6	15.5
Sao Tome & P	Distress	Risk of public & private	5.1	20.1
Senegal	Moderate	Crisis	25.1	21.5
Seychelles	n/a	Risk of public & private	14.3	11.8
Sierra Leone	High	Crisis	22.7	21.6
Somalia	Distress	Crisis	9.3	3.0

South Africa	n/a	No risk identified	6.8	20.9
South Sudan	High	Crisis	26.8	n/a
Sudan	Distress	Crisis	15.3	n/a
Tanzania	Moderate	Risk of public debt crisis	14.1	20.5
Togo	Moderate	Risk of public & private	12.4	21.8
Tunisia	n/a	Crisis	24.3	n/a
Uganda	Moderate	Risk of public debt crisis	9.6	16.5
Zambia	Distress	Crisis	51.1	17.1
Zimbabwe	Distress	Crisis	3.0	19.0
TOTAL	**8,274**		**28 over 12%** **20 over 18%**	**15 countries spend more on debt than on education. 28 countries spend under 20% and 10 countries spend under 15% of their budget on education. Only 7 countries exceed 20% benchmark, 18 have no data**

**Ethiopia defaulted on its sovereign debt in December 2023, which is not captured in the IMF data which was published in November 2023.*

According to the IMF, of the 52 African Union countries listed:

- 8 countries are in debt distress
- 13 countries are at high risk of debt distress
- 17 countries are at moderate risk of debt distress
- 14 countries do not have data available

According to Debt Justice, of the 52 African Union countries listed:

- 27 countries are in debt crisis
- 14 countries are at high risk of public and private debt crisis
- 9 countries have no risk identified
- 2 countries do not have data available

Annex 3: Table 3. The data on austerity and education

1	2	3	4
Africa Union countries	**Projected change in total government spending as a % of GDP from 2023 to 2025** (from *End Austerity: A Global Report on Budget Cuts and Harmful Social Reforms in 2022-25 - Sept 2022*)	**% of GDP spent on the public sector wage and change over last five years** Worldwide Bureaucracy Indicators (worldbank.org)	**Most recent IMF advice on wage bills** (where available – based on research in The Public Versus Austerity and * = The Pandemic and the Public Sector ** from Human Rights Watch Bandage on a Bullet Wound: IMF Social Spending Floors and the Covid-19 Pandemic | HRW
Algeria	-2.2	12.6 - decreased	
Angola	-2.2	5.7 – decreased	
Benin	-0.8	4.5 - decreased	
Botswana	-2.4	15.6 - risen	
Burkina Faso	-0.2	9.4 - risen	Cut*
Burundi	-2.0	8.1 - risen	
Cameroon	-0.9	4.6 - decreased	Freeze**
Cape Verde	-4.2	12.7 - risen	Cut**
Central Af Rep	0.2	5.2 - even	
Chad	-1.0	7.0 - risen	Cut**
Comoros	-0.5	5.2 - decreased	Increase*
Congo	-0.3	6.6 - risen	Cut**
Cote d'Ivoire	0.1	5.0 - risen	
DRC	-0.6	5.0 - decreased	Cut**
Djibouti	-1.0	6.2 - decreased	
Egypt	-0.3	5.0 - decreased	
Equat. Guinea	-0.3	3.5 - risen	
Eritrea	-0.6	15.8 - risen	
Eswatini	-1.8	13.0 - decreased	
Ethiopia	1.2	6.6 - decreased	
Gabon	-1.0	7.7 - decreased	Cut **
Gambia	-3.1	4.1 - risen	Freeze**
Ghana	-0.9	7.4 - risen	Cut
Guinea	1.0	3.8 - even	Freeze*
Guinea Bissau	-0.8	6.6 - risen	Cut**
Kenya	-0.9	4.5 - decreased	Cut
Lesotho	-1.6	19.4 - risen	
Liberia	-1.2	9.7 - risen	Cut
Madagascar	-0.6	5.2 - risen	
Malawi	-1.6	8.1 -risen	Freeze*
Mali	-0.1	6.1 - risen	Freeze*
Mauritania	0.2	5.4 - decreased	Increase**
Mauritius	-0.4	8.8 - even	
Morocco	-1.3	12.4 - risen	
Mozambique	-5.8	12.8 - risen	Cut**
Namibia	-0.1	16.6 - even	
Niger	-0.2	3.8 - decreased	
Nigeria	-0.3	1.6 - decreased	Cut
Rwanda	0.2	5.0 - risen	Freeze*

Sao Tome & P	-0.6	10.9 - risen	
Senegal	1.5	5.8 - risen	Freeze
Seychelles	-6.5	14.2 - risen	Cut **
Sierra Leone	-0.2	7.9 - risen	Cut
Somalia	n/a	4.7 - risen	
South Africa	-3.7	12.7 - risen	
South Sudan	2.7	5.3 - decreased	
Sudan	1.6	2.9 - decreased	Cut**
Tanzania	0.0	4.2 - decreased	Cut
Togo	-0.1	5.4 - risen	Freeze*
Tunisia	-2.6	17.6 - risen	
Uganda	-1.5	3.6 - risen	Cut
Zambia	-2.5	8.3 - decreased	Cut
Zimbabwe	-0.4	6.4 - decreased	Cut
TOTAL	**9 countries increase** **1 = even** **11 cuts 0-1%** **9 cuts 1-2%** **11 cuts over 2%**	**12 under 5%** **26 between 5-9%** **15 above 9%**	**19 cut, 8 freeze, 2 increase**

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