

# TRANSFORMING EDUCATION FINANCING IN AFRICA

## A Strategic Agenda for the African Union Year of Education

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.**

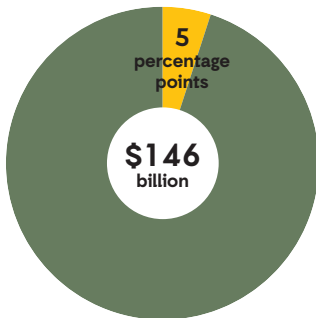
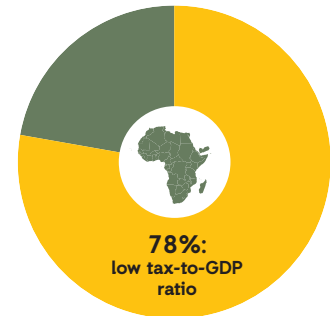
# Tax and education

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



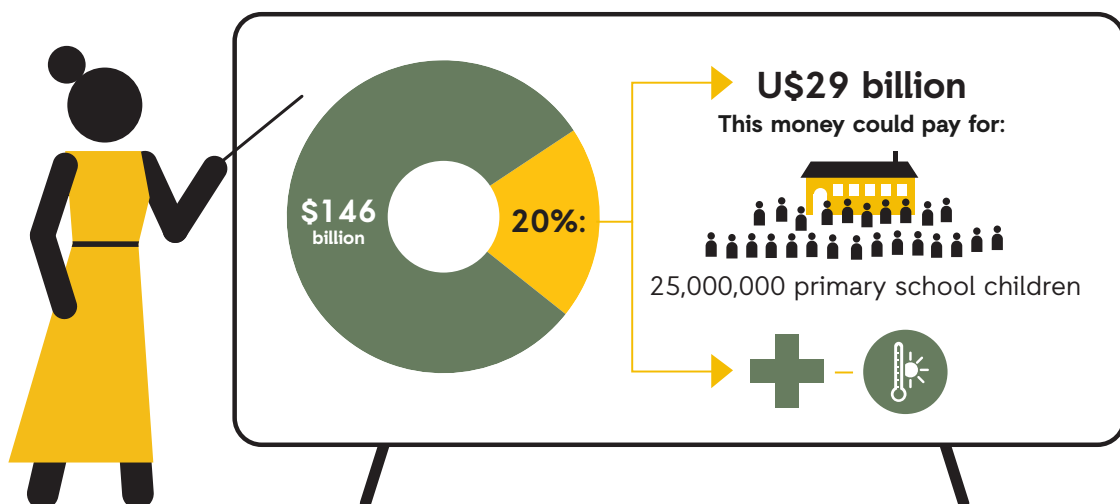
- **African Union countries are losing at least \$8 billion every year in potential tax revenue**, largely owing to aggressive tax avoidance by the wealthiest companies and individuals. This is likely to be a significant under-estimate given the Mbeki Panel findings on illicit financial flows exceeding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

- **Over 78% of African Union countries** (41 out of 52 countries where data is available)<sup>1</sup> **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.

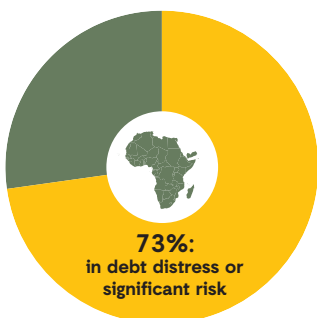
- **If 20% of this \$146 billion was allocated to education** - in line with the widely accepted benchmark of the Education for All (EFA) Dakar Framework adopted in 2000 and reaffirmed in the Education 2030 Framework for Action - **that would raise over \$29 billion for education every year**. This would 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

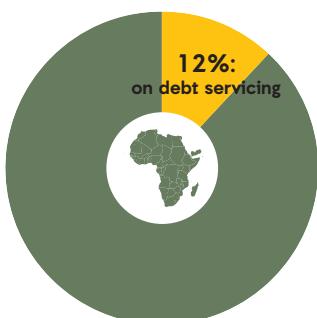
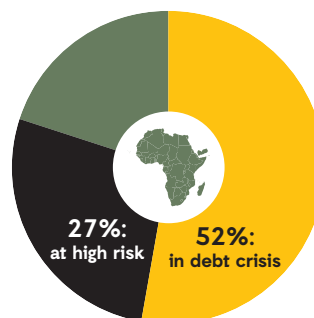
## Debt and education

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.



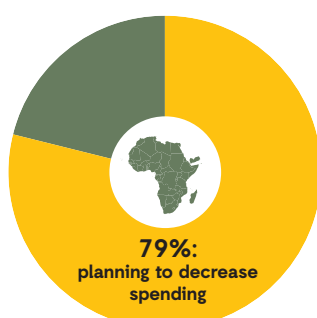
- 28 of the 52 African Union countries are spending over 12% of their national budgets on debt servicing - the tipping point at which debt servicing tends to trigger reductions in public spending. 20 of these countries are spending over 18% of their national budgets on debt servicing, the level at which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



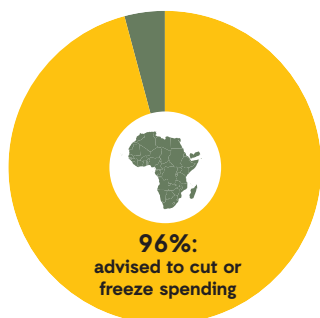
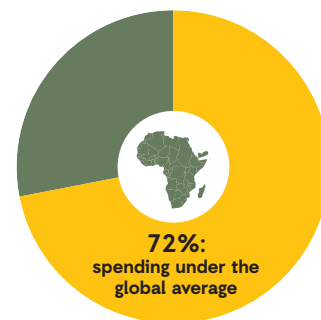
## Austerity and education

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.