

Financing the Recovery from COVID-19: Building education back better



UNICEF Eastern and Southern Africa Regional Office
Social Policy and Education Working Paper

December 2020

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December 2020

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Acknowledgements

This working paper was written by Bob Muchabaiwa (Public Finance Specialist), under the overall guidance of Matthew Cummins (Social Policy Regional Adviser) and Abhiyan Jung Rana (Education Regional Adviser) of UNICEF's Eastern and Southern Africa Regional Office (ESARO).

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Acronyms

CO	country office
CRC	Convention on the Rights of the Child
CSO	civil society organisation
ECD	early childhood development
ECE	early childhood education
ESA	Eastern and Southern Africa
ESARO	Eastern and Southern Africa Regional Office
GDP	gross domestic product
GNI	gross national income
IDA	International Development Association
IFI	international financial institution
IMF	International Monetary Fund
GPE	Global Partnership for Education
LIC	low-income country
LMIC	lower middle-income country
ODA	official development assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
PER	Public Expenditure Review
PPP	purchasing power parity
SSA	Sub-Saharan Africa
UMIC	upper middle-income country
UIS	UNESCO Institute for Statistics
WASH	water, sanitation and hygiene
WB	World Bank
WEO	World Economic Outlook

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Executive Summary

This working paper discusses the impacts of COVID-19 on public spending on education services in the Eastern and Southern Africa (ESA) region. In addition to projecting likely spending trends in 2020 and 2021, it offers insights on how education budgets can be safeguarded amidst competing priorities and in the face of fiscal austerity.

Key findings

- Government spending on education in ESA is expected to fall by 7%, on average, in 2020.
- The education financing gap is predicted to expand by one third in the region compared to the pre-pandemic trajectory, which reflects lower government revenue as well as rising education costs (e.g. to improve school health and safety infrastructure, implement social distancing measures, deliver learning remediation programmes, support student re-enrollment).
- The pandemic is exacerbating an already precarious education financing situation, as only 5/21 governments in the region were spending at least 20% of their budgets on education before the crisis in line with the Education for All financial target.
- As many governments have borrowed to offset funding shortfalls, rising debt burdens will further threaten investment in education across ESA in the absence of debt relief agreements.
- Without massive external support, especially from international financial institutions (IFIs), the region's pre-pandemic learning crisis will transform into a learning catastrophe, with severe long-term economic and development consequences.
- COVID-19 has compounded pre-existing challenges in education spending in many ESA countries, which include inequitable allocation of resources, inefficient spending, and poor budget transparency and accountability.

Recommendations to governments and development partners

- **Position education at the center of national fiscal stimuli packages and annual budgets, alongside health, nutrition, social protection and WASH.** Among other short-term priorities, governments in ESA and development partners should mobilize sufficient resources to finance preparedness plans to, among others, strengthen WASH infrastructure in schools, procure additional desks, chairs and education and communication materials, support remedial learning, and provide in-service teacher training.
- **Improve the prioritization and allocative efficiency of budgets within the education sector.** In the short term, big infrastructure projects alongside monitoring and in-service training activities should be de-prioritized to allow for greater spending on getting students back in the classroom, keeping them safe and recovering lost learning. All budgetary choices should be driven by cost-efficiency and cost-effectiveness considerations.
- **Ensure due attention to pre-primary education services in recovery plans.** Pre-primary education continues to be the least funded level of education in the region, consuming less than 2% of education budgets, on average. Given the powerful economic and social benefits

of supporting investment in early learning programs, governments should consider expanding classroom spaces and the teacher workforce, eliminating all formal and informal school fees, and scaling up social assistance programs, including school meals.

- **Aggressively advocate for greater external financial support for education, especially from the IFIs.** Multilateral partners, bilateral donors and private foundations can also be engaged where there is strong in-country presence. It will also be important to make the case to donors to fully resource the COVID-19 Education Facility for low income countries (LIC) under the auspices of the Global Partnership for Education (GPE).
- **Link debt relief support to education.** Creditors – including bilateral, multilateral and the private sector – must consider measures that allow governments in ESA to maintain and increase spending on education. Debt swaps could be a particularly helpful instrument, which would allow a portion of upcoming debt repayments to be redeployed to support education budgets. For many LICs, partial debt forgiveness – at a minimum – will be required.
- **Enhance value for money and transparency in education spending.** While more funding is urgently required to close financing gaps, it is equally important to maximize the impact of available resources by strengthening procurement systems, tackling waste, addressing inefficiencies, and making sure that teachers are paid on time to avoid strikes, which disrupt learning. Accountability institutions, such as Parliaments, have a crucial role to play in demanding accountability for education expenditures and defending budget allocations.
- **Promote a holistic approach to investing in learning.** If families do not have enough daily income to make ends meet, they will not be able to send their kids to school. At the same time, hunger is a major barrier to learning. Given these realities, governments in ESA must finance other complementary programs so that children are able to return to the classroom and perform well. This includes cash transfers to poor families with children, school fee waivers for all levels of education, and school meals for pre-primary and primary learners.
- **Produce more and better education sector data, both financial and operational.** ESA governments should strengthen mechanisms for recording and monitoring resource inflows and expenditures on education, as well as other impacts of the pandemic on learning.

Chapter 1. Introduction

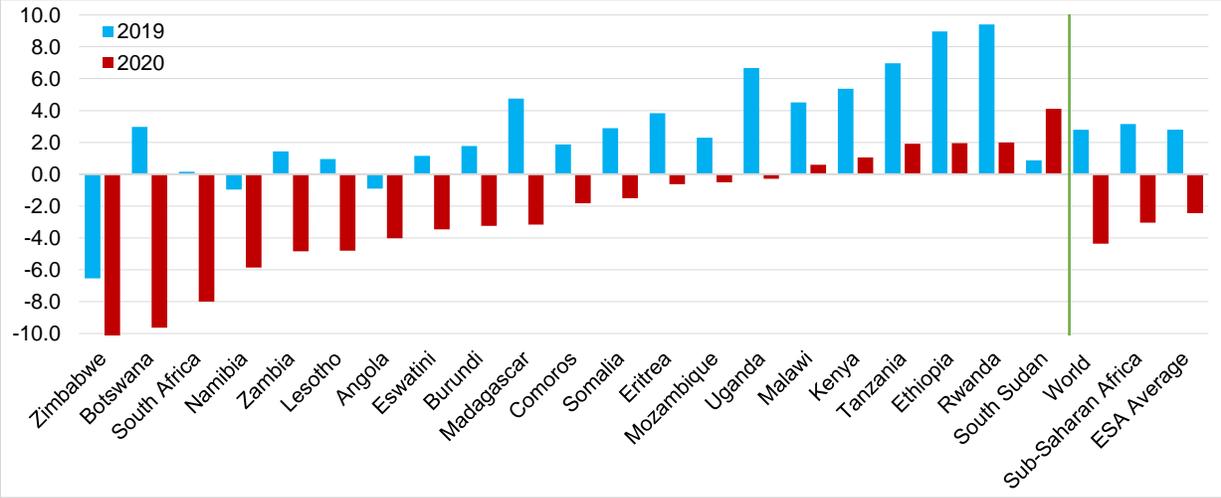
This working paper discusses the impacts of COVID-19 on public spending on education services in the Eastern and Southern Africa (ESA) region. In addition to projecting likely spending trends in 2020 and 2021, it offers insights on how education budgets can be safeguarded amidst competing priorities and in the face of fiscal austerity. The main objective is to stimulate discussion among governments and development partners on how to build education back better amidst an unrelenting pandemic. The rest of the chapter discusses the background to this study, methodology and structure of the paper.

1.1 Background

The COVID-19 pandemic is wreaking havoc on economies, households, and on child well-being in ESA. By 30 November 2020, the region had recorded slightly over 1.1 million cases up from about 17,000 in mid-May. Nearly three quarters of the reported cases (70%) were in South Africa, followed by Ethiopia (10%) and Kenya (7%). However, for most countries in the region, chances are high that the actual cases are considerably higher due to low testing capacity. Nearly 27,000 deaths were recorded in the region as of the end of November.

The pandemic has caused the worst ever economic contraction in recent history. According to the latest available statistics from the International Monetary Fund (IMF), economic activity in ESA is expected to contract by 2.4%, on average. Zimbabwe, Botswana, South Africa, Namibia and Zambia are expected to suffer the largest economic contractions (Figure 1). The economic fallout will worsen poverty. It is estimated that 50 million people (using \$1.90 as the cut-off point) have been pushed into extreme poverty in sub-Saharan Africa (SSA) since the start of 2020 as a result of the pandemic (Cummins, 2020).

Figure 1: Projected economic growth in ESA countries, 2019 and 2020 (as a %)



Source: IMF World Economic Outlook October 2020 Database

As most schools in ESA have opened or set reopening dates as of the end of November 2020, governments are now tasked with recovering lost learning. Among others, governments need to get students safely back into classrooms, offer remedial learning opportunities and ultimately steer their countries onto the path of achieving Sustainable Development Goal (SDG) 4 on inclusive, equitable and quality education. If governments in ESA are to prevent the current learning crisis from transforming into a catastrophe, strategic investment choices need to be taken and operationalized swiftly.

1.2 Methodology

The analyses and recommendations in this paper are based on a desk review of recent reports and articles, revenue and tax projections as well as education financing modelling exercises. In particular, the paper benefitted from reports and projections by other institutions including the World Bank, Global Partnership for Education and UNESCO. Historical data on education spending trends were collected from the UNESCO Institute for Statistics (UIS), while projections on the spending outlook are based on the elasticity of education spending and projected changes in real per capita gross domestic product (GDP). The paper borrowed heavily from a recent paper by UNICEF Eastern and Southern Africa Regional Office (ESARO), which examines the impact of COVID-19 on human capital spending in the region (UNICEF ESARO, 2020a).

A few limitations of the analysis should be noted. First, education spending is not only a function of GDP and by extension available tax revenue. Other factors also play a role including priority of spending, population of school going age, and financing needs. These variables were not considered in the analysis. Second, due to the ongoing uncertainties of the evolution of the pandemic across the region the estimates are bound to change. If this were to happen, figures for both projected revenue and education spending would change. Lastly, there was very limited information on how much official development assistance (ODA) has been channeled to governments in ESA since the start of the pandemic, which made it impossible to carry out reliable projections for 2020 and 2021.

1.3 Structure of the paper

The rest of the paper is divided into four sections. Chapter 2 focuses on how COVID-19 has disrupted learning in ESA and highlights some of the negative consequences of children being out of school. Chapter 3 sheds light on education financing before there was a crisis. In Chapter 4, the impacts of COVID-19 on public finances are explored, including discussion of the education spending outlook over the near term. The paper concludes, in Chapter 5, by offering policy recommendations to governments and development partners on safeguarding education spending during and after the pandemic.

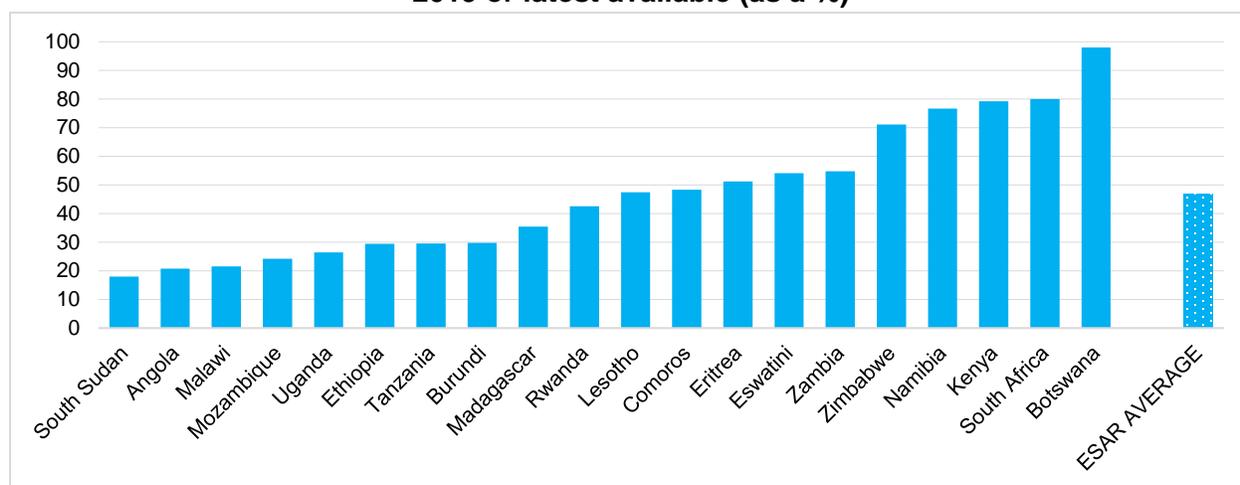
Chapter 2. From Crisis to Catastrophe: The impacts of COVID-19 on learning

This chapter examines how learning in ESA has been impacted by COVID-19. Specifically, it sheds light on the extent of the disruption of learning due to school closures and other containment measures. It also highlights the damaging consequences of the crisis on education outcomes and child well-being. The chapter is divided into two sections, with the first briefly featuring the state of education before there was a crisis, and the second focusing on learning challenges triggered by the pandemic. The discussion is not conclusive; it is only aimed at providing a short background to the analysis which follows.

2.1 The state of education before there was a crisis

Before COVID-19, most ESA countries were off-track in achieving SDG 4 on inclusive and equitable education and learning for all. As of 2019, at least 9 million children were out of school in ESA (UNESCO, 2020a). Only 47% of children completed lower secondary school in the region. South Sudan, Angola, Malawi and Mozambique have the lowest lower secondary school completion rates. (Figure 2). Even fewer children transition to upper secondary and ultimately to tertiary education increasing the risk of unemployment among young people.

Figure 2: Lower secondary completion rates in ESA countries, 2019 or latest available (as a %)

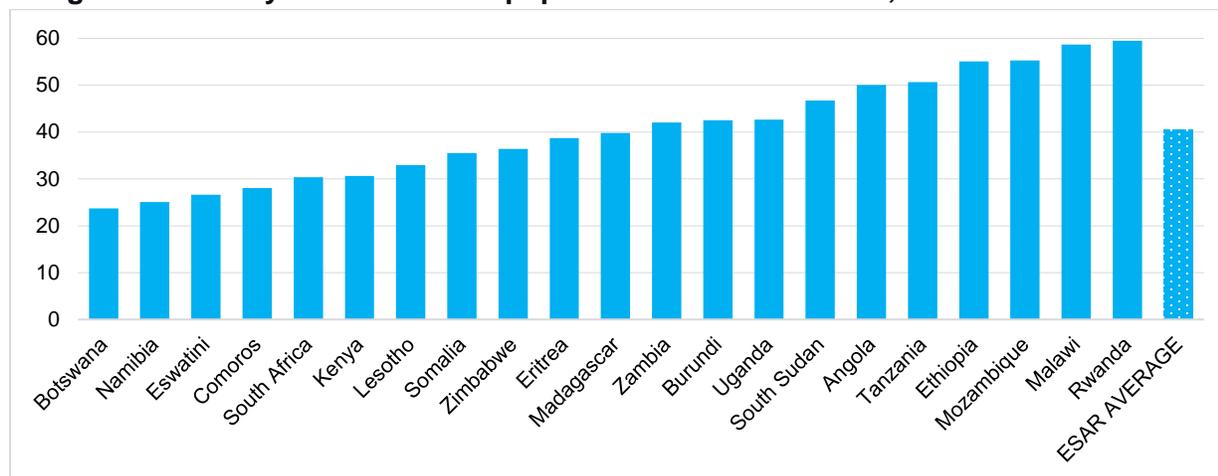


Source: UNESCO Institute for Statistics

Education outcomes in many ESA countries are deficient. As of 2018, an estimated 87% of children below the age of 10 years in Sub-Saharan Africa could not read and understand a simple story despite being in school (World Bank, 2019). The latest estimates from UNESCO (2020a) shows that 88% of children and adolescents were not achieving minimum proficiency levels in reading and 84% in mathematics. Insufficient education inputs partly explain the poor education outcomes. Most schools in ESA are crowded, with very high classroom and teacher-pupil ratios.

Children also learn without all the requisite materials including textbooks and teaching aids. The average teacher-pupil ratio for primary school in ESA is 1:41 on average (Figure 3).

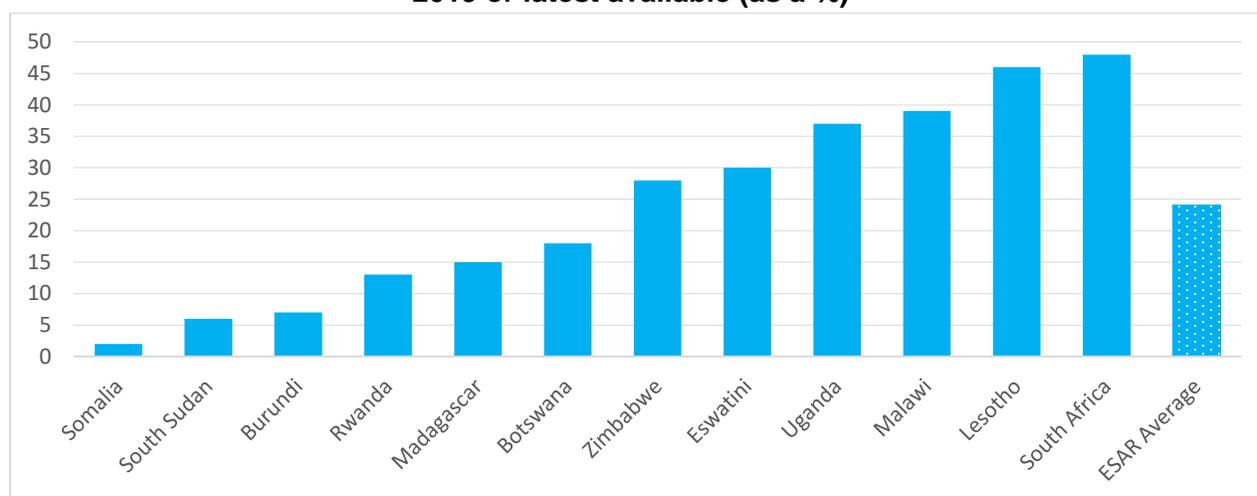
Figure 3: Primary school teacher-pupil ratio in ESA countries, 2018 or latest available



Source: UNESCO Institute for Statistics

Pre-primary education is the most neglected level of education in ESA. Despite the proliferation of policies on early childhood development (ECD), pre-primary education remains a pipedream for millions of children in ESA. Based on the latest available data, nearly three quarters of children below the age of six are not accessing early childhood education (ECE) services on average. As of 2019, average attendance rate in ECE for the 12 ESA countries where data is available is estimated at 24% (Figure 4). The attendance rate varies significantly across countries from as low as 2% in Somalia to 48% in South Africa (UNICEF, 2020).

Figure 4: Early childhood education attendance rates in ESA countries, 2019 or latest available (as a %)



Source: UNICEF Data and Statistics (2020a)

Note: No data for other ESA countries

The above confirms the immense challenges that existed before the arrival of COVID-19. A real risk, therefore, exist that the education crisis can turn into a catastrophe unless swift action

is taken to recover lost learning and reenroll all children back in school. ESA governments should undertake all appropriate measures to ensure that every child enjoys the right to education in line with the Convention on the Rights of the Child (1989).

2.2 Learning during the crisis

COVID-19 has had a profound impact on learning ever since the onset of the pandemic. Globally, learning by about 9 in every 10 students at all levels grinded to a halt at one point in time in 2020 due to the closure of schools and other learning institutions (Jenkins and Steer, 2020). To contain the spread of the coronavirus, most governments in the ESA region quickly introduced lockdown measures, including the closing of learning spaces. Consequently, over 94% of the world's learners were directly impacted by measures to contain the coronavirus (UN, 2020). In ESA, approximately 127 million learners in pre-primary, primary and secondary school were impacted in 2020. The good news is that by the end of November 2020, most schools had partially or fully reopened their doors to learners (Figure 5), although an estimated 40% have not yet returned (UNICEF ESARO, 2020b).

Figure 5: Status of school reopening in ESA countries, as of end of October 2020



Source: UNICEF ESARO (October 26, 2020)

While the scale of the learning loss due to COVID-19 is not fully known, prolonged school closures will worsen learning outcomes. The learning adjusted years of schooling are projected to fall by nearly one year, resulting in total loss in lifetime earnings of approximately US\$4,600 per person (Azevedo et al., 2020). If remediation efforts are taken early the long-term learning losses could be reduced by half (Kaffenberger and Pritchett, 2020). However, for

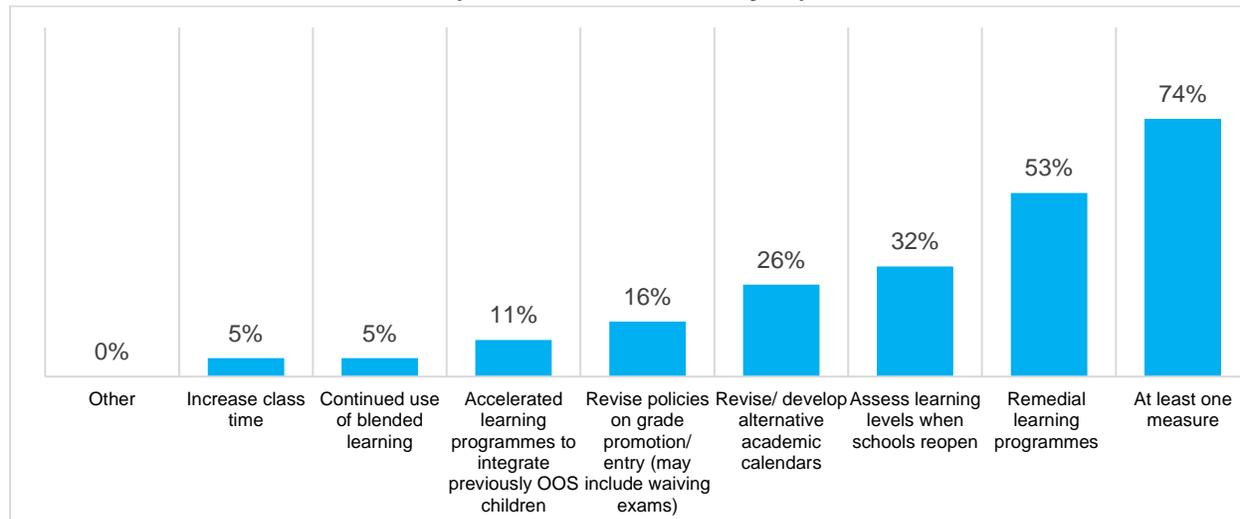
returning students, there is still a lot of uncertainty on whether quality learning will take place, given fears of new waves of the pandemic.

As schools are reopening across the region, education service providers and learners are grappling with a myriad of challenges that require the urgent financing attention. To start off, many schools are struggling with basic preparedness to ensure the safety of teachers, learners and other workers (Save our Future, 2020). Most schools, especially in rural and peri-urban areas, do not have basic water, sanitation and hygiene (WASH) facilities, which includes protective equipment, soap, cleaning and disinfection supplies. This partly explains the phased approach to school reopening by most governments in ESA. While this approach may be a safe strategy to kickstart learning, it is likely to exacerbate inequities in access to education and further complicates school examination timetables and student progression to higher grade levels.

The big policy question is how to recover lost learning and avoid growing numbers of permanent dropouts. So far, given the scale of the learning loss, it is unclear how much it will take to help learners catch up as quickly as possible. What is clear is that it will require a combination of remedial learning, compressed/alternative academic calendars and other support measures. In Kenya, for example, the government announced that the current academic year will be compressed and that remedial lessons are being considered (CapitalFM, 2020). Some schools, especially private, have been offering online lessons to minimize learning losses. However, globally, it is only a small fraction of learners that has been accessing online learning opportunities, mainly from private schools. The divide between public and private schools is worsening inequities as most public schools do not have the requisite human or digital capacity or reliable connectivity.

Encouragingly, most governments in ESA are aware of the need for remedial actions to mitigate the impacts of lost learning. Reports from a UNICEF global survey on COVID-19 (August 2020) revealed that 53% of countries in ESA included had introduced remedial learning, with 46 % revising or developing an alternative academic calendar. About 32% of the surveyed countries had instituted a program to assess learning needs when schools reopen (Figure 6). Unless swift action is taken, the pandemic threatens to reverse past gains towards the attainment of SDG 4. By August 2020, one quarter of a school year was lost by learners in 108 countries across the world due to school closures, on average (UNESCO, UNICEF and World Bank, 2020). Children attending early childhood education are hardest hit as pre-primary school is not being prioritised in reopening strategies by ESA governments.

**Figure 6: Measures taken to mitigate learning losses in ESA countries, 2020
(% of countries surveyed)**



Source: UNICEF, August 2020

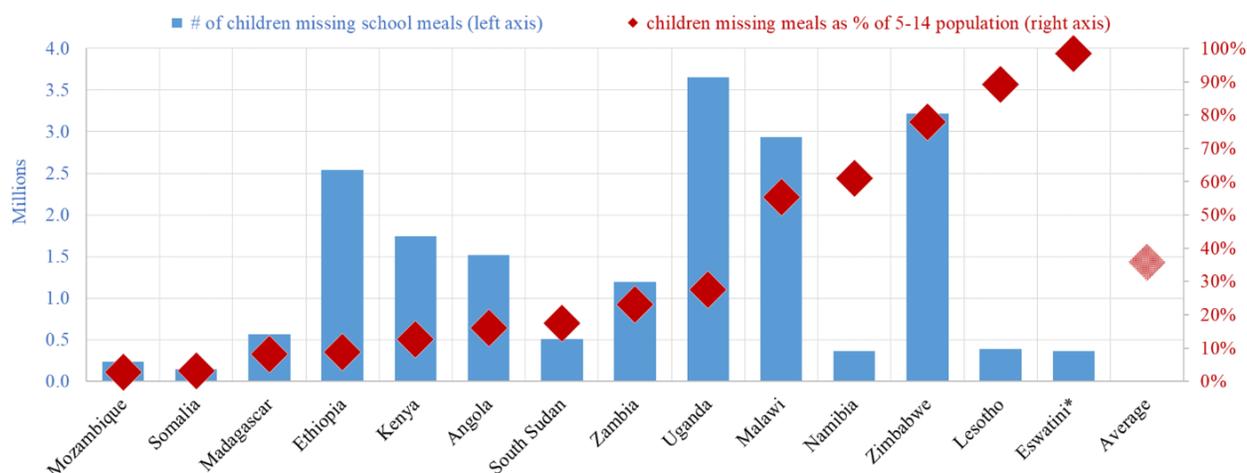
COVID-19 has exposed massive gaps in education infrastructure and supplies. Shortages of classrooms, desks and chairs have become more glaring as schools strive to achieve social distancing in learning spaces. As indicated earlier, well before COVID-19 many countries in ESA were unable to reach reasonable pupil-classroom ratios. Most classes, especially in rural and high-density urban areas, were overcrowded, with multiple learners commonly sharing a single desk (UNESCO, 2020d).

Beyond more classrooms and furniture, social distancing norms require more human resources. Before the pandemic, the region already faced an enormous staffing gap. For example, UNESCO (2016) estimated that 17 million additional teachers will be required in Sub-Saharan Africa to achieve universal primary and secondary education by 2030. Added to the problem of staff shortage, there is a risk of protests by teachers due to health concerns and/or erosion of salaries, as witnessed recently in places like Uganda and Zimbabwe (Mavhunga, 2020). The nature of the pandemic further requires teacher preparation to support learners in the current context, which has additional financial costs.

Overall, the pandemic has compounded the long list of other shocks impacting on learning in ESA. Due to the impacts of droughts, floods, locust invasions, COVID-19-related market disruptions and economic contractions, around one in three children in ESA are currently estimated to be facing some level of food insecurity, with close to 10% facing a food security crisis situation or worse (Cummins, 2020). South Sudan is the hardest hit, with 58% of the population facing a serious food security crisis, followed by Zimbabwe at 29% (IPC, 2020). Regrettably, the closure of learning spaces deprived millions of children in ESA of school meals. In April 2020, about 29 million children in ESA were missing on meals due to the closure of early childhood facilities and schools (Cummins, 2020). With most schools opening, the number has gone down to approximately 19 million (Figure 7). Besides the food crisis, other shocks include insurgences and armed conflicts in Ethiopia, Mozambique, Somalia and South Sudan as well as recurring climatic shocks. COVID-19 struck at a time when Comoros, Madagascar, Mozambique and

Zimbabwe had not fully recovered from Cyclones Idai and Kenneth, which destroyed school infrastructure in 2019 (UN OCHA, 2019).

Figure 7: Children missing out on school meals in ESA countries, end of September 2020 (in millions of children and as a % of the 5-14 population)



Source: Cummins (2020), based on data from the [WFP Global Monitoring of School Meals During COVID-19 School Closures \(accessed September 29, 2020\)](#) and [UNDESA World Population Prospects \(2019 Revision\)](#)

Notes: (i) Countries that do not have data or where school meals were active at the end of September are not shown; (ii) The age range of children that benefit from the school meal programs captured in the database was unavailable, so the 5-14 population was used as a proxy to estimate the relative size of children affected across countries – *Eswatini is the lone exception, which covers the 5-17 population

The pandemic will add to an already very high number of children out of school, and who cannot read and write. Cases of school dropouts, early pregnancies and child marriage have been reported to be on the increase (UNICEF, 2020; BAIRD et al., 2020). Perhaps the biggest educational concern is permanent dropouts. Evidence from the Ebola crisis in the Democratic Republic of Congo shockingly revealed that nearly 20 % of learners never returned to school after a long closure (UNICEF, 2018). If measures are not taken to reenroll and keep children in school, the increasing number of dropouts will add to the 100 million out of school children before the pandemic across Sub-Saharan Africa (Cummins, 2020), with especially high risks for girls (Save our Future, 2020). When adding tertiary students, an estimated 24 million globally additional children and youth could permanently drop out or not have access to school next year due to the pandemic’s economic impact alone (UN, 2020). There is also a real risk that many children will get into risk behavior such as prostitution, drug abuse, and radicalization. Given the increasing difficulties faced by families to pay for school fees and other formal and informal school attendance costs (backpacks, uniforms, shoes, school materials, etc.), governments in ESA must ensure that school reopening is complemented by social assistance. Cash transfers is one approach that has proven effective in promoting school attendance (Cummins, 2020).

2.3 Key takeaways

- Before COVID-19, most ESA countries were off-track in meeting SDG 4 targets on inclusive, equitable, and quality education for all. Now, extra effort is required to steer countries back onto the path of achieving the SDGs.
- COVID-19 threatens to turn the current education crisis into a catastrophe unless timely and decisive action is taken to recover lost learning and reenroll all children back in school.
- The pandemic has exposed massive shortages in classrooms, teachers, desks, chairs, and sanitation and hygiene facilities in most schools which should be considered in medium term education financing frameworks.
- Keeping children out of school for long periods has far-reaching consequences on child well-being including permanently dropping out of school, teen pregnancies, early marriage, and recruitment into risk behavior such as prostitution, drug abuse, and radicalization. Thus, child protection should be a critical component of education service delivery.
- COVID-19 has laid bare inequalities between the rich and the poor, which should be addressed through appropriate fiscal policy and budgetary responses.

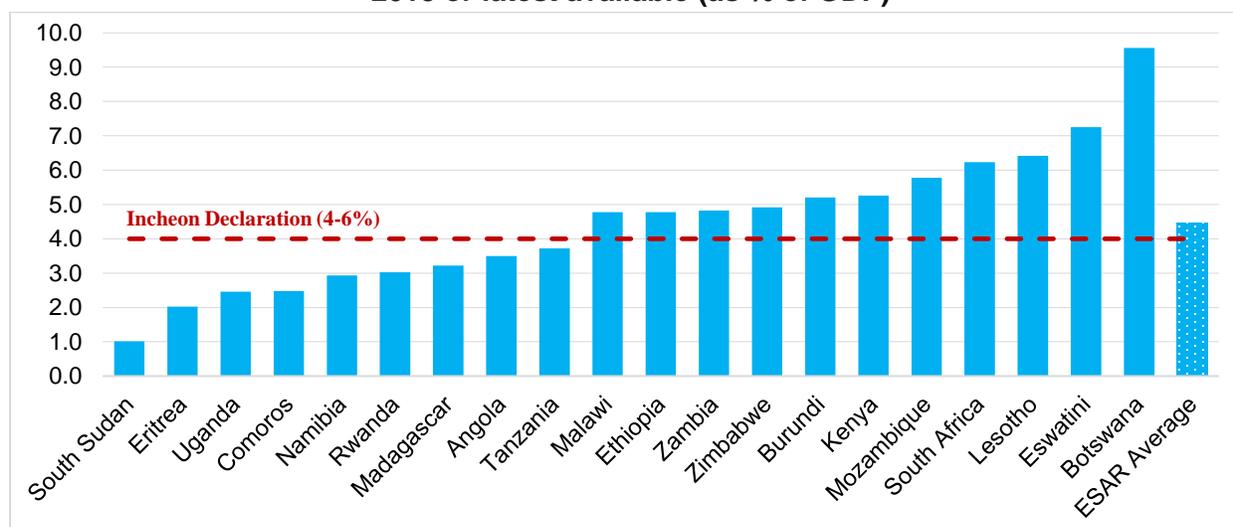
Chapter 3. Education Spending Before COVID-19

This chapter presents a brief overview of education spending in ESA before the pandemic. The chapter builds on the previous one by highlighting trends in the size and composition of public spending on education to contextualize the analysis which follows. The data used in this section is mainly drawn from the UNESCO UIS. This data is augmented by analyses and reports of other international organisations and researchers. The chapter is divided into two parts, with the first highlighting trends in education spending and the second presenting information on funding gaps based on secondary literature.

3.1 Trends in education spending

Spending on education in most ESA countries was below international benchmarks long before the pandemic. The latest available estimates show that about 45% of governments in ESA allocated less than 4% of their GDP to education. According to the Incheon Declaration on Inclusive Education, governments should allocate 4-6% of their GDPs to education if they are to achieve SDG 4 (UNESCO, 2017). Botswana was one of the few countries that allocated a large share of its GDP to education, nearing 10% in 2018. In contrast, Comoros, Eritrea, South Sudan and Uganda allocated 2.5% of their GDP or less (Figure 8).

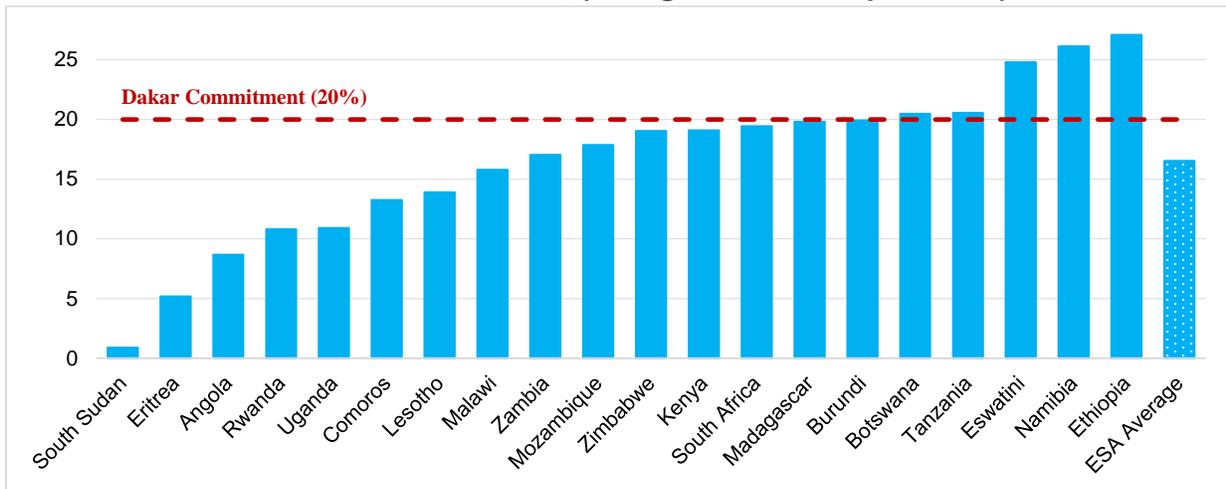
Figure 8: Total government expenditure on education in ESA countries, 2018 or latest available (as % of GDP)



Source: UNESCO Institute for Statistics, 2020

Before COVID-19, governments in ESA allocated about 16.5% of their total budgets to education, on average (UNESCO, 2020a). Of the 21 countries in ESA, only Botswana, Eswatini, Ethiopia, Namibia and Tanzania allocated at least 20% of their national budgets on education as required under the Dakar Commitment on Education for All by the African Union (Figure 9). This further demonstrates that most governments in ESA did not give enough budget priority to education prior to the pandemic.

Figure 9: Total government expenditure on education in ESA countries, 2018 or latest available, (% of government expenditure)

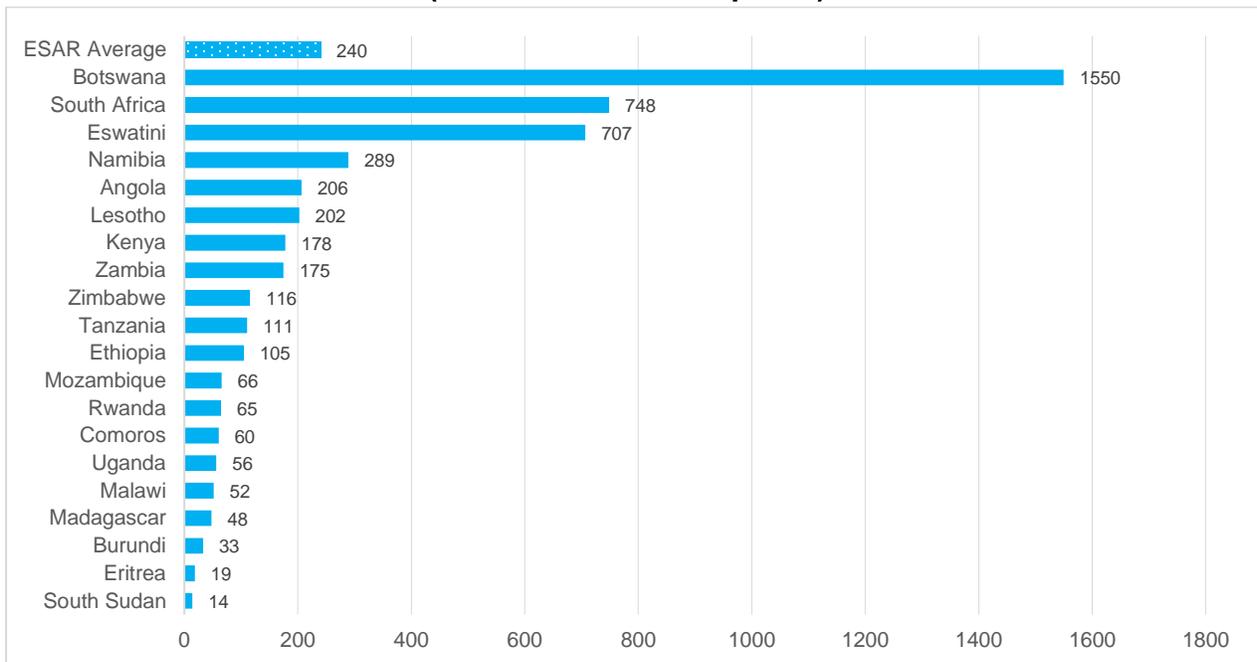


Source: UNESCO Institute for Statistics, 2020

Note: No data for Somalia

A per capita lens further underscores the insufficiency of spending on education before the crisis. In 2019, ESA countries invested around US\$240 per person, on average, in education (Figure 10). Botswana, South Africa, Eswatini and Namibia spent the highest while Eritrea, South Sudan, Burundi and Madagascar spent less than US\$50 per person.¹

Figure 10: Estimated per capita government expenditure on education, 2019 (In US\$2017 constant prices)



Source: Author based on data from the UNESCO UIS (2020) and UNDESA (2020)

Note: No data for Somalia

¹ It is important to note, however, that spending is likely to be higher if only the learner population is used to calculate per capita values and not the entire national population.

3.2 Financing gaps

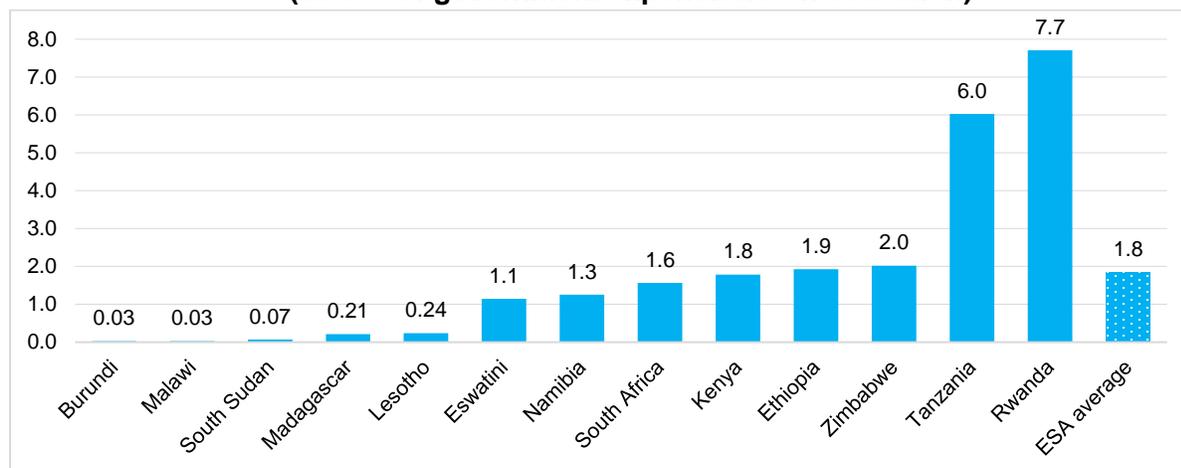
COVID-19 has widened the education financing gap to ensure quality education for all people. Before the pandemic, the education financing gap was particularly large for low-income countries (LICs) and lower middle-income countries (LMICs), which is likely worsening. For all LICs and LMICs globally, the funding gap was estimated at US\$148 billion annually. The gap is now expected to increase by a third to US\$200 billion due to COVID-19 (UN, 2020). This means that new expenses caused by COVID-19 are expected to widen the education funding gap by more than \$50 billion in LICs and LMICs globally (UNESCO, 2020e). Governments are now facing the mammoth task of plugging this gap. Beyond education, the International Monetary Fund (IMF) now estimates that governments in Africa require \$345 billion in additional external financing through 2023 to recover from the pandemic (IMF, 2020a). This figure comes on top of the \$500 billion to \$1.2 trillion estimated annual funding gap for the region to deliver on the SDGs (Twinoburyo *et al.*, 2019).

In per capita terms, education financing gaps were glaring as of 2019. Slightly over half of governments in ESA spent less than US\$100 on education per person per year, with South Sudan spending the lowest at US\$14, followed by Burundi at US\$33 and Madagascar at US\$47. On the other side of the spectrum, Botswana and South Africa spent the highest at US\$1536 per person and US\$748, respectively (UNICEF ESARO, 2020a).² Per person spending on education in most LICs is barely enough to cope with fast demographic growth and to cover the infrastructure backlog.

Although funding shortfalls span across all levels of education, pre-primary education has been especially neglected. ESA countries spend slightly below 2% of their education budgets on pre-primary education on average, against an emerging international consensus of at least 10% (Figure 11). According to recent estimates by UNICEF ESARO (2020c), in 2019, LICs in ESA spent approximately US\$4 per child per year on pre-primary education with LMICs spending around US\$40 and upper middle-income countries UMICs US\$45. The low priority of investment in pre-primary education services – and complete disregard in some places – persists despite the overwhelming evidence on cost-effectiveness (Heckman, 2017).

² The per capita allocations are arrived at by dividing total education spending by the population in a given year. This method, however, tends to underestimate the actual expenditure per learner because the entire population does not use education services.

Figure 11: Expenditure on pre-primary in select countries in ESA, 2017 or latest available (as a % of government expenditure on education)



Source: UNESCO Institute for Statistics, 2020

Note: Data not available for other ESA countries

3.3 Key takeaways

- Education spending in most ESA countries has been insufficient to increase the supply and quality of education services to all people well before COVID-19 entered the scene.
- Pre-primary education requires special attention in education financing discussions because it has been neglected the most compared to other levels of education.
- The widening of the education financing gap due to COVID-19 demands that governments double their efforts to mobilize adequate resources to recover lost learning and to build education back better.

Chapter 4. Education Spending in 2020 and 2021

This chapter assesses the possible outlook for education spending over the near term. It relies on projections based on analysis of the elasticity of education spending to changes in GDP. The elasticity coefficients were calculated using simple linear regression of spending against real GDP for the period 2000-19.³ The analysis draws heavily from a recent paper on the impacts of COVID-19 on human capital spending in ESA (UNICEF ESARO, 2020a). The chapter is divided into three sections, which cover revenue projections, education spending projections and the general spending outlook given the likely emergence of austerity measures during 2021.

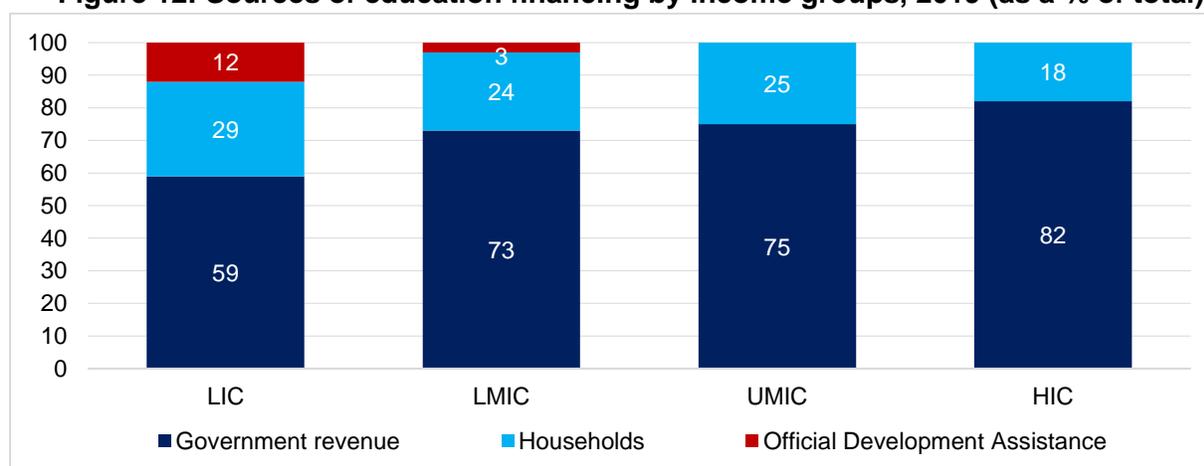
4.1 Plummeting government revenue

The economic fallout caused by the pandemic has triggered massive declines in revenues to finance the delivery of education services. Just as funding needs are substantially rising, all three main financing sources are shrinking, which includes domestic government revenue, official development assistance (ODA) and household contributions (World Bank 2020; Jenkins and Steer, 2020). The severity of the impacts of the pandemic on financing varies from one country to another depending on the prevailing macroeconomic situation and composition of financing before the pandemic (IMF, 2020b).

Domestic revenues will be hit hardest. Domestic revenue is particularly important because it finances the bulk of recurrent education expenditures especially salaries as well as teaching and learning materials in all ESA countries. Globally, LICs and LMICs contribute an estimated 59% and 73% of education sector resources, followed by household contributions (UNESCO, 2020b) as shown in Figure 12.

³ The elasticity analysis presented in this section entailed several steps. First, the share of education spending as a percentage of GDP was applied to real per capita GDP figures in order to get per capita spending values for each country. Second, logged per capita spending for each country was regressed against real GDP per capita using the random effects regression model to obtain the elasticity coefficients per country. Since data were logged, the regression coefficients were taken as the elasticity coefficients. Third, data on projected real per capita spending for 2020 and 2021 was added to the time series data. Fourth, the expected percentage change in real GDP for 2020 and 2021 from the IMF's 2020 June update was calculated using logged GDP figures. Fifth, using the elasticity coefficients per country and projected percentage change in real GDP per capita, spending for 2020 and 2021 was calculated in per capita terms. The last step was to multiply per capita values by population to get projected expenditures in 2020 and 2021. Unless otherwise stated, the estimates of education expenditures are presented in constant 2017 international dollars.

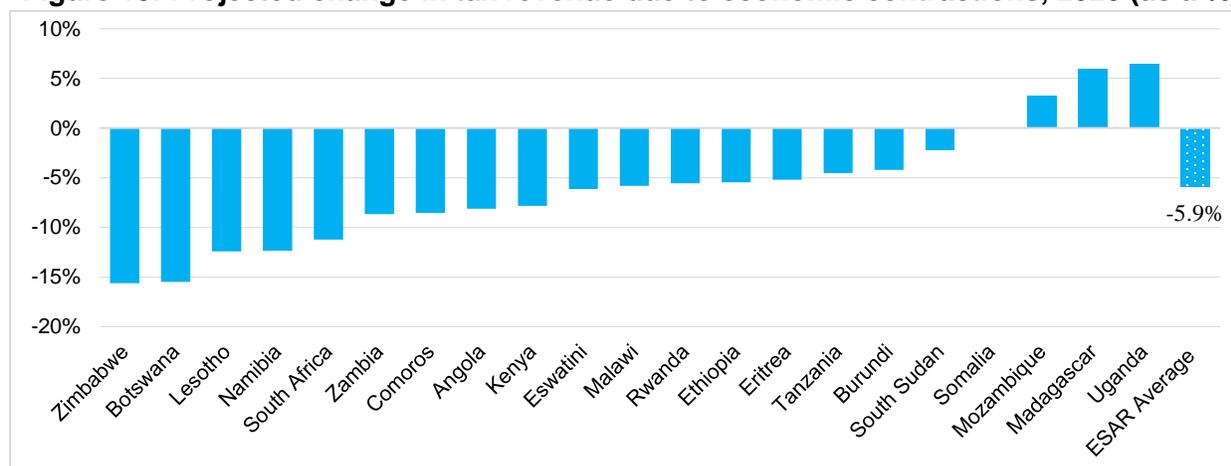
Figure 12: Sources of education financing by income groups, 2019 (as a % of total)



Source: UNESCO Institute for Statistics, 2020

Recent estimates by UNICEF ESARO (2020a) show that tax revenues could fall by at least 5.9% of GDP in 2020. The decline in 2020 is then likely to be followed by a modest rebound in 2021 depending on how the pandemic unfolds (Figure 13). In total, the region is expected to lose an estimated US\$35.8 billion (in 2011 constant prices), which will impact the amount of resources available for education (Jenkins and Steer, 2020; AL-SAMARRAI, 2020).

Figure 13: Projected change in tax revenue due to economic contractions, 2020 (as a %)



Source: UNICEF ESARO (2020a)

The declines in tax revenue arise from several factors. These include reduction in taxable activity due to economic contractions, disruptions in public service delivery, tax relief measures and other fiscal packages to cushion households from the socioeconomic impacts of the pandemic. Noting the catastrophic impacts of the pandemic on economies and households, most ESA governments introduced tax relief measures such as reduction in value added tax (VAT), deferment of payments, tax exemptions for COVID-19 supplies, and fast tracking of VAT refunds. In the first half of the year, most countries reported shortfalls in tax and non-tax revenue. The largest declines in tax receipts are projected to be in corporate tax, especially from tourism and other service industries, value-added tax due to reduced consumption, and trade related taxes. Revenues from exports of tobacco, cocoa, flowers, and vanilla, which are key export items for

Malawi, Tanzania, Kenya, and Madagascar, respectively are significantly lower than the previous year (UNICEF ESARO, 2020a). Receipts, service charges and even government fines are reportedly lower than the same period in the previous year.

Contributions from households are also projected to fall due to the economic shock. The region is witnessing record-level increases in extreme poverty in 2020 due to loss of jobs, livelihoods, remittances, depletion of savings, sale of assets, etc. This, in turn, limits the ability of parents to invest in their children's education (Cummins, 2020). Remittances, which is a lifeline for millions of families in ESA, have also gone down (World Bank, 2020). The International Labour Organisation (ILO) estimated that nearly three quarters of workers worldwide have had their income impacted by economic lockdowns. Teachers have also been affected, especially those with temporary contracts (UN, 2020). The impact of reduced household income on education spending is heavier in LICs because nearly a third of education sector resources are financed from households' contributions (see Figure 12 above).

Field reports from learning institutions confirm that most households remitted very little or no fees for the greater part of 2020. The closure of educational institutions led to reduced income from fees, levies, and other contributions paid by learners. As indicated above, households contribute an estimated 29% and 24% of education finances in LICs and LMICs globally (UNESCO, 2020c). Together, this has reduced resources available to schools to cover operational costs, pay salaries and support remote learning. In Kenya, for example, over 100 private schools failed to reopen the first week of October 2020 as instructed by the government due to lack of operational income (Adhiambo, 2020).

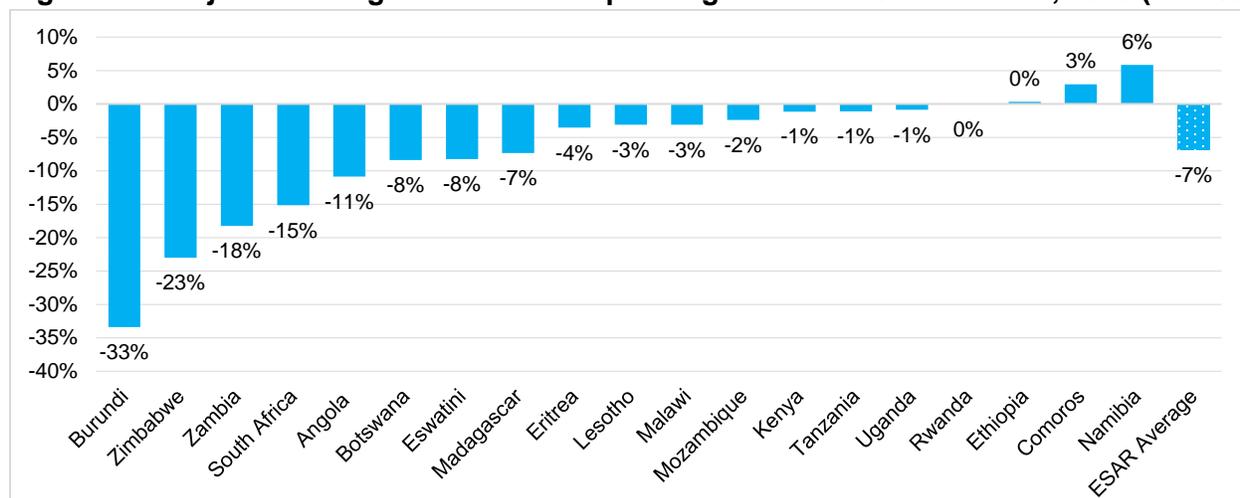
The pandemic will also lead to a decline in ODA to support education services. As donor governments are prioritizing domestic investments to recovery from their own emergency situations, UNESCO (2020b) projects that ODA available to the education sector will go down by 12% by 2022. There are important lessons from the 2008 global financial crisis, where ODA levels did not reach pre-crisis levels until 2016 (World Bank, 2020). There are also concerns about the concentration of ODA in the education sector, as less than half goes to LICs and LMICs, yet this is where they are needed the most (UNESCO, 2020e). It is important to note, however, that ODA was flatlining well before COVID-19.

With limited domestic revenue, governments have no option but to borrow. Unfortunately, rising debt levels and the subsequent debt repayment burdens have the potential to crowd out funding to education soon. Based on the latest projections, total external debt stock for ESA countries will increase from US\$419 billion in 2019 to US\$459 billion in 2021 which is equivalent to 56 % in 2019 and 64 % of GDP in 2021 (Economic Intelligence Unit, 2020). Based on the latest IMF debt sustainability assessments, half of ESA countries are at least under high risk of debt distress, with five countries already in debt distress, including Eritrea, Mozambique, Somalia, South Sudan and Zimbabwe (IMF, 2020b). There is a real risk that debt repayment will be achieved at the expense of social sector investments, including education. Thus, it is crucial that ESA governments discuss debt relief and restructuring strategies as soon as possible. For the poorest countries, debt cancellation may need to be considered.

4.2 Projected education spending in 2020 and 2021

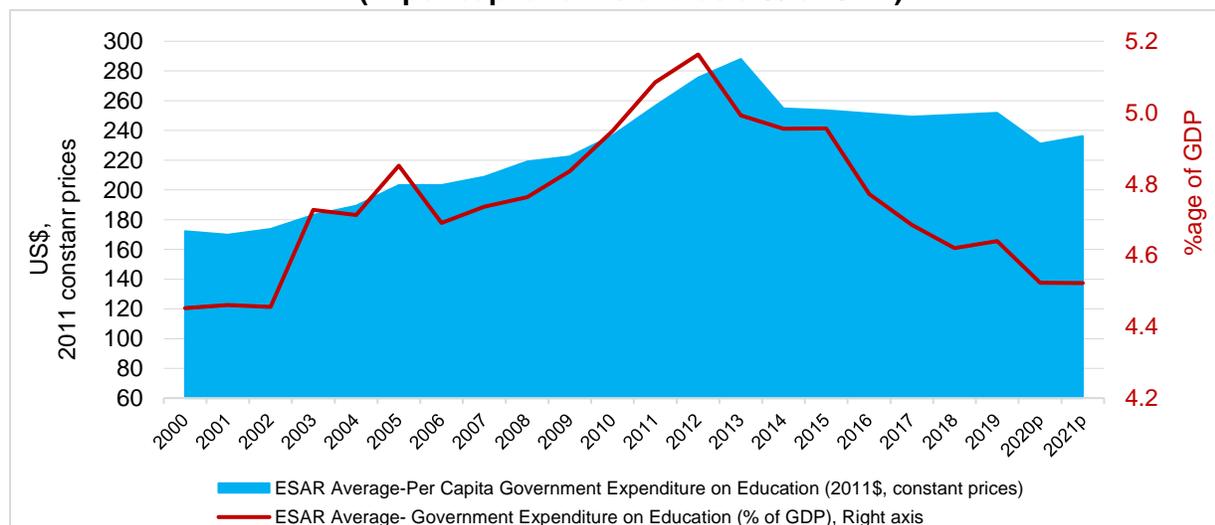
The reduction in revenues is projected to lead to a decline in total education spending in 2020 and 2021. It is estimated that domestic government expenditure on education in ESA will contract by approximately 7% in 2020 compared to the previous year, on average as shown in Figure 14 (UNICEF ESARO, 2020a). Other global estimates are more pessimistic, with education spending expected to fall by up to 10% (Albright, 2020). In per capita terms, total education spending is expected to decrease by about 4% from an average of US\$240 in 2019 to US\$231 in 2020 before slightly increasing to US\$236 in 2021 (Figure 15). The estimates should, however, be interpreted with caution due to the many uncertainties about the future. All levels of education will be affected including pre-primary education.

Figure 14: Projected change in education spending in select ESA countries, 2020 (as a %)



Source: UNICEF ESARO (2020a), based on elasticity analysis of education spending to projected GDP
 Note: Somalia and South Sudan not included due to data unavailability

Figure 15. Average government expenditure on education in ESA, 2000-2021, (in per capita terms and as a % of GDP)



Source and notes: Same as Figure 14

Capital expenses will suffer the largest declines in 2020 and 2021. Field reports from UNICEF country offices (COs) show that capital spending has significantly gone down compared to the previous year. Recurrent expenditures will largely remain the same on account of personnel emoluments which take up the lion's share of education budgets. Budgets for activities such as sporting, quality assurance and other extra-curriculum activities have also been reduced.

4.3 The education spending outlook beyond 2021

The next biggest shock to education spending is likely to be austerity. Experience from previous shocks shows that severe external shocks, such as COVID-19, are usually followed by cuts or stagnation in education financing. For instance, as a result of the Ebola crisis, public spending on education in Sierra Leone fell from 15 to 12% of total government spending between 2014 and 2017 (World Bank, 2020). It is therefore anticipated that spending on education will remain subdued despite the widening of the financing gap. If this were to happen, the current education situation will worsen; with the potential to derail progress towards attaining SDG 4 targets.

Governments and education institutions will also likely introduce austerity measures as part of fiscal consolidation. Evidence from the past also showed that when faced with revenue constraints schools introduce additional levies and other cost recovery mechanisms. Unfortunately, such measures are often regressive, hitting hard on the poorest households. The ultimate result is that these financial barriers will lead to increased school dropouts.

Going forward, capital spending will likely remain depressed unless bold decisions are made. Capital spending especially for desks, chairs, and even additional classrooms is required to achieve social distancing and to have manageable classes. Governments will likely freeze salary increases for teachers and other education staff to contain the wage bill. Such fiscal consolidation measures come at a cost. First, teacher-pupil ratios will remain high thereby compromising the quality of learning. Second, a freeze in salaries at a time when the cost of living is rising will trigger strikes as recently seen in Uganda and Zimbabwe. Many more strikes are on the horizon if safety/ health and cost of living adjustment concerns are not addressed.

Lastly, as noted above, ODA flows to education in ESA are likely to be lower than expected. In the past few years, most donors have not been able to fulfill their commitment to allocate at least 0.7 % of their gross national income (GNI) to ODA (UNICEF ESARO, 2020a). Lessons can be drawn from the global financial crisis on how some rich countries cut back their ODA budgets after 2008 (Ortiz & Cummins 2020). The decline in ODA flows will have a knock-on effect on education spending. a strong case ought to be made for donor partners including international financial institutions to prioritise resources to where they are needed the most, in LICs and LMICs.

4.4 Key takeaways

- Losses in tax and non-tax revenue have dramatically reduced fiscal space to finance the delivery of education services in ESA.
- Projected declines in education spending will significantly impact the supply and quality of education services.
- Although lower than expected, ODA, especially grants and concessional finance from IFIs will remain critical to cover the financing gap, especially in LICs.
- Unless education spending is safeguarded from the looming era of austerity, there is a risk that gains made in the past decade to ensure equitable access to education will be negated.

Chapter 5. Conclusion and Recommendations

COVID-19 is an opportunity to build better and more efficient education systems in ESA; and this requires financial sacrifice by all state parties. The pandemic has spotlighted the need for inclusive and resilient education systems. The robustness of an education system is seen in its capacity to mitigate the impacts of shocks and to be accessible to all people, in all contexts. Education is known to be an equalizing force to increase life chances for all children.

If SDG 4 is to be achieved, all countries have the responsibility to sustain a certain level and quality of public investment in education. And for that, while external support is critical in the short term, domestic revenue mobilization is the most sustainable way of investing in education. If anything, COVID-19 should strengthen the resolve of ESA governments to keep education on top of their spending priorities by meeting or exceeding the 20% minimum education spending as a percentage of total government expenditures or 4-6% of their GDP.

Recommendations to governments and development partners

- **Position education at the center of upcoming fiscal stimuli packages and annual budget processes, alongside health, nutrition, social protection and WASH:** Among other short-term priorities, ESA governments and their development partners should finance preparedness plans to improve WASH services, procure additional desks and chairs, protective equipment at least for staff, education and communication materials, support remedial learning, and the delivery of in-service training for teachers. Social protection and cash transfers in particular will also be a critical tool to avoid permanent dropouts.
- **Improve the prioritization and efficiency of budgets within the education sector:** With limited fiscal space, difficult tradeoffs must be made. In the short term, big infrastructure projects alongside monitoring and in-service training activities should be de-prioritized to allow for greater spending on keeping students safe and efforts to recover lost learning. This is also an opportune moment to give greater investment attention to pre-primary education services. All budgetary choices should be driven by cost efficiency and cost effectiveness considerations.
- **Aggressively advocate for greater external financial support for education, especially from IFIs:** Given the collapse in domestic revenue and poor outlook, the only way that most governments will be able to meaningfully boost investment in education in the short term is by accessing external resources. Multi-lateral partners, bilateral donors and private foundations can also be engaged where there is strong in-country presence. Lastly, it will be important to make the case to donors to fully resource the COVID-19 Education Facility for LICs under the auspices of the Global Partnership for Education (GPE).
- **Link debt relief support to education:** The scale of the looming debt crisis puts education financing at great risk unless debt relief and restructuring strategies are reached. For many LICs, there is no question that at least partial debt forgiveness will be required. Creditors are

called upon to consider measures that allow governments to maintain and increase spending on education, such as through debt swaps where a portion of upcoming debt payments can be redeployed to support education budgets.

- **Enhance value for money and transparency in education spending:** While more funding is urgently required to close the financing gap, it is equally important to maximize the impact of available resources. This can be achieved by strengthening procurement systems, tackling waste, addressing inefficiencies, and making sure that teachers are paid on time to avoid strikes, which disrupt learning as seen recently in Zimbabwe. Development partners can support with timely procurement and distribution of learning materials, including textbooks, sanitation and hygiene supplies. Accountability institutions, such as Parliaments, also have a crucial role to play in demanding accountability for education expenditures and defending budget allocations.
- **Call for a holistic approach to investing in learning:** ESA governments are called upon to finance other critical social services that help get children into classrooms and enable them to perform. To ease the financial burden on poorer households and address the worsening nutrition crisis, ESA governments are requested to waive school fees (formal and informal), deliver cash transfers to families with children and provide school meals. The Ebola experience was very clear: If families do not have enough daily income to make ends meet, they will not send their kids to school. The evidence is also overwhelming that hunger is a major barrier to learning.
- **Produce more and better education sector data, both financial and operational:** Appropriate policy and programmatic responses should be informed by robust evidence, which unfortunately is often patchy and outdated. To bridge this gap, ESA governments should strengthen mechanisms for recording and monitoring resource inflows and expenditures on education, as well as other impacts of the pandemic on learning. Transparency in financing and expenditures is a critical step towards spending better and also has important feedback loops to help governments access more external finance, especially on-budget.

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