

2017/2018

BUDGET

CHILDREN AND THE
NAMIBIAN BUDGET:
BASIC EDUCATION



This Budget Brief is one in a series of four briefing papers, initiated by UNICEF, that examine the extent to which the Namibian Government budgets have addressed the needs of children in the country. This Budget Brief examines expenditure trends in the Ministry of Education, Arts

and Culture (MoEAC) and to a limited extent, the Ministry of Gender Equality and Child Welfare (MGECW), which is responsible for Early Childhood Development (ECD) Centres. The other UNICEF Budget Briefs focus on social assistance and welfare and the national budget.



19.1%

Allocation to basic education as share of total national budget, 2017/18



KEY MESSAGES

- The introduction of Universal Primary Education (UPE) and Universal Secondary Education (USE) has ensured access to schooling for all, irrespective of socioeconomic background. However, this excludes ECD, which provides a strong foundation and can lead to improved educational outcomes. Furthermore, distance to school and ECD facilities remains a challenge to many.
- Pre-primary education received 0.3% of the total national budget in 2017/18. The expansion of pre-primary education however, requires additional funds in order to ensure positive learning outcomes.
- Personnel costs make up most of the funding for basic education. This is further exacerbated through budget cuts that sacrifice expenditure on infrastructure and learning materials, whilst personnel costs continue to rise. Overspending on personnel costs, as well as inefficiencies in post provisioning and teacher allocations need to be contained, freeing up funds for educational material and capital expenditure.
- Utility cost put large pressure on school budgets, while funding for utilities tends to be biased towards regions that are well connected to the electricity grid and a stable, safe water supply. This puts schools without these necessities at a further disadvantage, being without access to these and subsequently the need arises to use available funds for alternatives means of supply. The current per capita funding model is perpetuating such inequalities.
- The allocation per learner for textbooks and stationery has, over the past year been cut by 37% for primary school learners, and 58% for secondary school learners, to a nominal figure of NAD250 per learner. This jeopardises the 1:1 textbook-to-learner target, and compromises the quality of education for learners.

Key indicators

Allocation to basic education (excluding higher education) as share of total national budget, 2017/18	19.1%
Allocation to pre-primary education as share of total basic education budget, 2017/18	1.4%
Allocation to primary education as share of total basic education budget, 2017/18	64.5%
Allocation to secondary education as share of total basic education budget, 2017/18	28.7%
Allocation to personnel as share of total basic education budget, 2017/18	87%
Allocation to basic education as share of GDP (2016)	7.7%
Pre-primary education public spending per learner, 2017/18	NAD4,037
Primary education public spending per learner, 2017/18	NAD15,990
Secondary education public spending per learner, 2017/18	NAD16,607

Source: Economic Association of Namibia (EAN) calculation based on Ministry of Finance (MoF), Namibia Statistics Agency (NSA), MoEAC

Introduction

Three ministries are involved in the provision of education services. The MGEWC is responsible for Early Childhood Development Centres that cater for children below pre-primary age. The MoEAC is responsible for the provision of among others pre-primary, primary and secondary education. Pre-primary education consists of Grade 0 only and serves 6-year old children. Primary education serves children aged 7-12 years and consist of Grades 1 to 6. Secondary education is for children aged 13-18 years and covers Grades 7 to 12. The Ministry of Higher Education, Training and Innovation (MoHETI) is the custodian of tertiary education including vocational training centres and universities, however this ministry is excluded from the analysis since this Budget Brief does not cover tertiary education.

Namibia's 5th National Development Plan (NDP5) sets out high level goals for the nation. In terms of education, the goal is to ensure that "by 2022, all learners have access to equitable quality education that qualifies them to pursue higher education." To improve access to education by 2022, the MoEAC has developed a Strategic Plan for the period 2017/18-2021/22. Some of the key targets include increasing enrolments from 38% to 80% for pre-primary, 99.7% to 99.9% for primary education and from 61% to 65% for secondary education.

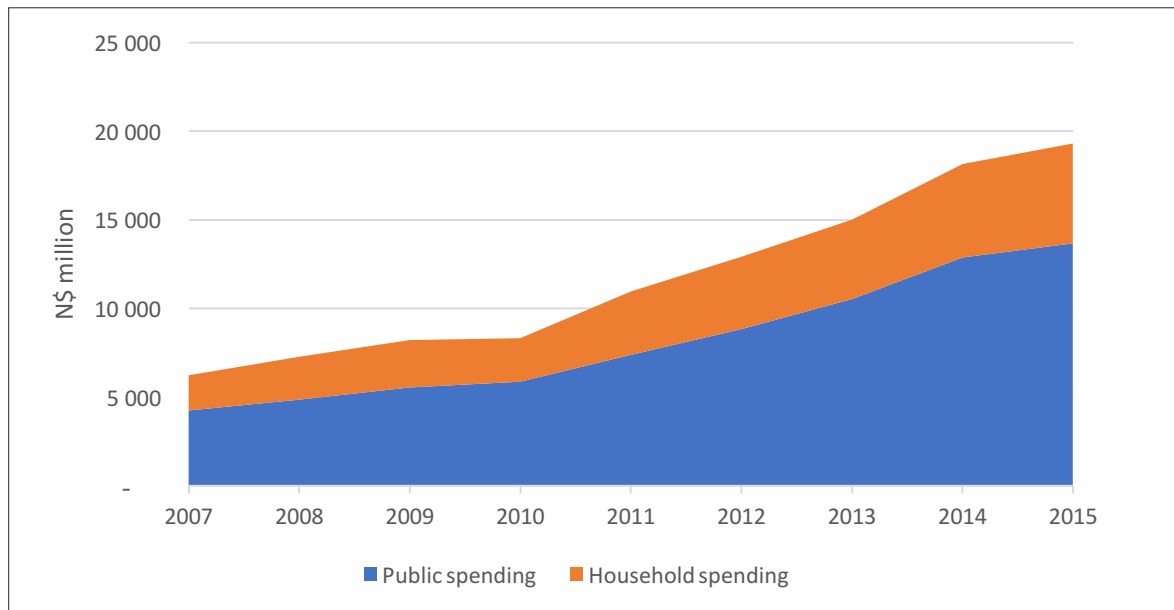
Namibia has made good progress in strengthening the education system since the country gained independence in 1990. Enrolment has increased steadily over the years, from 462,350 in 1992 to

733,603 learners in 2017, an increase of 591% over the period. Universal Primary Education (UPE) and Universal Secondary Education (USE) were introduced in 2013 and 2016 respectively, ensuring that financial backgrounds aren't an impediment to basic education. Access to Early Childhood Development (ECD) improved significantly between 2011 and 2016. In fact, 95,659 children (or 24.6%) under the age of five years attended ECD in 2016 compared to 13% or 37,789 in 2011 (Namibia Housing and Population Census, 2011). The main reason cited for children not attending ECD are cited primarily as distance to the nearest centre (overwhelmingly the case for rural areas at 51% of affected households), followed by the financial constraints (affecting primarily urban populations).

The average national learner-teacher ratio (LTR) is relatively low, at 25.2 in 2017. This means that, on average, there are 25.2 students to every teacher, with the general belief that a lower value is desired. Obviously, however, some regions have a LTR that is above the national average. For example, the Kavango East region had the highest LTR of 32.2. While most regions have seen a decline over recent years, the Erongo, Kunene, Oshana and Zambezi regions experienced an increase in their LTR. The Kunene region saw the most pronounced increase, from 25.2 to 27.5. It is further acknowledged that there are variations within regions regarding the learner-to-teacher ratio with some schools having a ratio of above 40. The LTR is indicative of improvements that can be made in the distribution of schools and teachers.



Figure 1 : Public and private financing of education, 2007-2015



Source: UNICEF, based on data from MoEAC, 2017.

Key observations

- UPE and USE have accelerated accessibility to, and consequently enrolment in, basic education. ECD is excluded and requires specific attention from the MGECW.
- There is a need to review the entire ECD centre- and pre-primary education system, to improve efficiencies in service delivery and funding.
- It is vital to determine the appropriate number of teaching positions for each school by applying the 2001 post-provisioning norms in consultation with regions to ensure that the norms are uniformly applied across regions and inefficiencies are mitigated.

Financing the education sector

Public education is funded through the National Budget (see UNICEF Budget Brief – The National Budget for sources of revenue). Until the introduction of UPE and USE in 2013 and 2016 respectively, parents contributed in cash or kind to the School Development Fund (SDF). Due to persistent high income-inequality

in Namibia, these contributions have most likely contributed to inequality in education, since schools in better-off areas received higher contributions and could therefore provide additional textbooks, computer or laboratory equipment to mention a few. Some public schools continue to ask for voluntary contributions from parents in order to maintain their standards that are negatively affected by current budget cuts. The MoEAC has clarified, however, that these contributions are voluntary and cannot be demanded from parents. The reality is that many schools, particularly those in poorer areas, struggle to make ends meet and so look to parents to either contribute to the SDF or provide stationery. The current UPE and USE funding model does very little to redress inequity and perpetuates inequalities.

Private spending on education ranged from 41% to 50% of government spending on education between 2007 and 2015. Figure 1 shows public and private (household) spending on education with substantial out-of-pocket spending. From 2007 to 2015, private consumption expenditure on education increased from N\$1 995 million to N\$5 606 million. Despite this, calculations indicate that household expenditure on education services, as a proportion of government spending on education, declined from 47% in 2007 to 41% in 2015. However, as a percentage of GDP, household spending on education services increased from 3.2% in 2007 to 3.8% in 2015. This means that over this period, government expenditure on education has grown more quickly than private expenditure



on education, as a result of increased allocations to this sector. However, the abolition of the SDF, due to introduction of UPE and USE, is the likely reason of household expenditure on education decreasing in subsequent years.

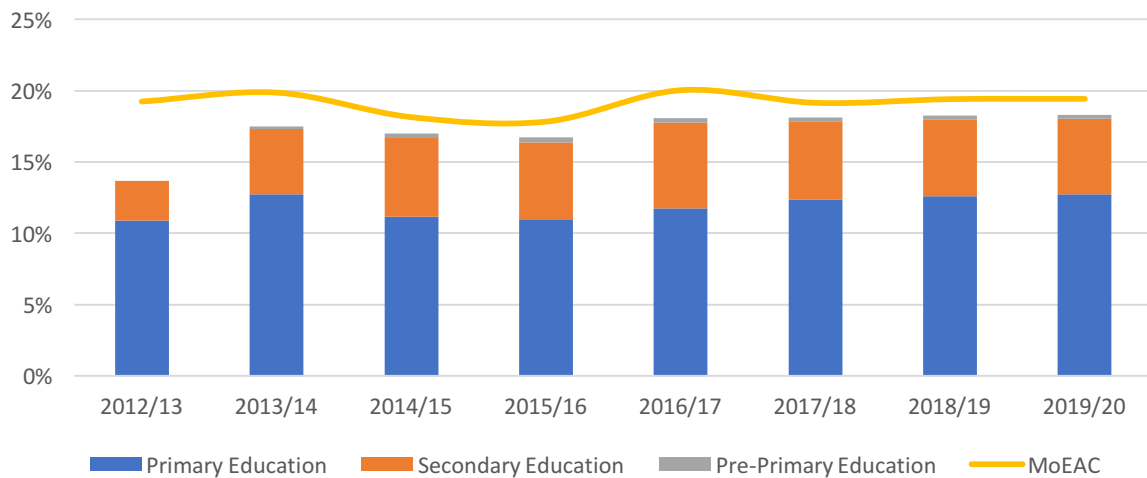
The education sector is not reliant on development partner funding. In recent years, no funding for the education sector was recorded in the budget documents, while for the period 2010/11 to 2013/14 funding from development partners formed 1.2% to 0.8% of total expenditure. However, public schools receive assistance from the private sector and individuals that donate equipment or provide funding, such as for the construction of additional classrooms, maintenance of hostels, etc. Unfortunately the value of these contributions is not known, as they are not actively reported and can easily go unreported.

Government provides funding not only for public schools, but also subsidises private schools, depending on individual school categorisation. According to the 2017 Public Expenditure Review (PER), the subsidies amounted to NAD6, 400 per learner in low-fee private schools and NAD1, 816 per learner in high-fee private schools (which focus mainly on high-income households). However, high-fee private schools also accommodate learners from disadvantaged backgrounds as part of their social responsibility. Based on information from the MoEAC, no subsidies for private schools were paid at the time of writing as a result of recent budget cuts.

Key observations

- There is a credible need to reassess allocations to private schools and identify a formula which frees up funds for redistribution, while still providing quality education opportunities to learners from disadvantaged backgrounds.
- Private sector assistance to public schooling plays a significant, but so far unquantified, role in support and funding. A reporting system needs to be developed to record these contributions.
- There is appetite to engage with private sector to support public schools through meaningful corporate social investment.
- Funding from development partners is declining and ancillary to the national budget. Development partners should consider economies of scale through joint funding initiatives to maximise available funds and targeting immediate and long term (priority) bottlenecks to quality education.

Figure 2¹ : Allocation to education as share of the total budget, 2012/13 – 2019/20



¹The MoEAC consists of more than three directorates. Therefore, the allocations do not add up to the total allocation to the MoEAC
 Source: EAN, analysis based on Ministry of Finance data

Education spending trends

Education continues to be the government’s top spending priority. Since 2012/13, education spending has been consistent, wavering between 18% and 20% of total expenditure. Namibia met the Education for All benchmark of 20% of total expenditure in the 2013/14 and 2016/17 fiscal years. However, budgetary allocations to basic education accounted for 19% of all planned spending in the current fiscal year (Figure 2). This is well above South Africa’s expenditure of 14.1% of total government expenditure in 2013, and in line with Botswana’s spending of 20.5%. In terms of Gross Domestic Product (GDP), the UNESCO Dakar Framework for Education for All recommends that 9% of GDP be spent on education. The 2017/18 budget allocation amounts to 7.7% of GDP and hence almost meets the Education-for-All target.

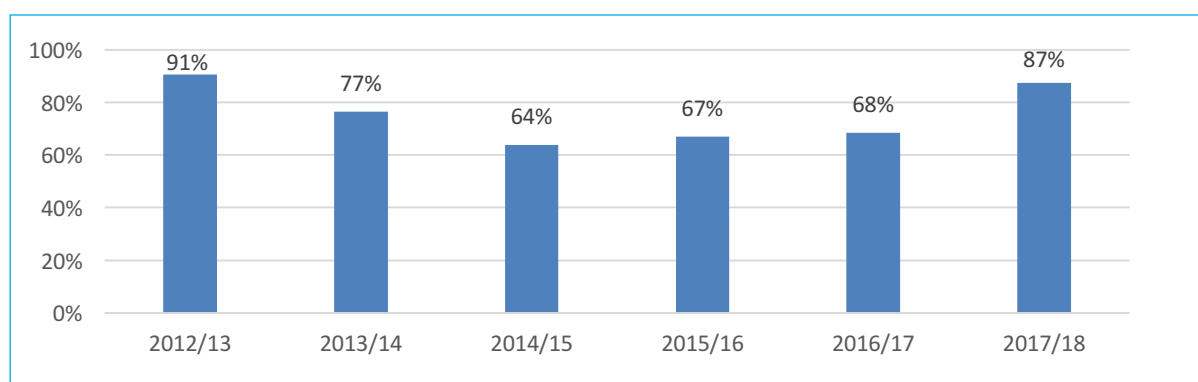
Compared to other upper middle-income countries in the region, Namibia already spends a relatively high percentage of its budget on education. As such, many educational concerns are unlikely to arise from the total allocation to basic education, which, as explained above, is in line with many international targets. Rather, and in light of Namibia’s limited fiscal manoeuvrability, the focus should be on quality and efficiency of expenditure whilst prioritising key areas (such as ECD), rather than simply increasing budgetary allocation.

Key observation

- Government’s allocation to education as a share of the budget and GDP are more-or-less in-line with target levels. Thus, focus should be placed on the effective allocation of funds, such as prioritising ECD, while minimising leakages and wasteful expenditure which undermine the effectiveness of the funding allocated to education.



Figure 3 : Personnel expenditure as share of total basic education allocation in per cent, 2012/13 - 2017/18



Source: EAN, analysis based on MoF data

Composition of education spending

Analysis of spending by levels of education

Primary education has received increasing budget priority in recent years. The allocation rose continuously from 10.9% of the total budget (2012/13) to 12.4% (2017/18), peaking in 2013/14 at 12.7% (Figure 2). In contrast, the allocation to secondary education has been a lot more varied. While it increased from 2.8% of the total budget in 2012/13 to 6.0% (2016/17), it declined to 5.5% in 2017/18 and is projected to shrink further as a result of fiscal consolidation. Pre-primary education received 0.2% in 2013/14, which doubled to 0.4% in 2015/16, but has declined to the current 0.3% of the total budget. In order to lay a strong foundation for a successful completion of primary and secondary education, pre-primary education needs to be expanded, suggesting that additional funds need to be availed.

The spike in budgetary allocation to primary education in 2013/14 (12.7%) and to secondary education in 2016/17 (6.0%) is owed to the introduction of Universal Primary and Universal Secondary Education respectively. The introductions replaced compulsory parents' contributions to the School Development Fund. However, the budget cuts introduced in October 2016 in order to reduce the budget deficit and total public debts have re-opened the debate about parents' contributions to education and led to some school re-introducing voluntary parent contributions without the approval of the government. Furthermore, parents still pay for school uniforms, transport and other education-related expenditure.





Analysis of the balance between capital and recurrent spending

Personnel expenditure accounts for 87% of total expenditure and therefore plays a vital role in re-adjusting expenditure within the ministry. While personnel expenditure allocation declined between 2012/13 (91.0%) and 2016/17 (68.0%), it increased substantially to 87.0% in 2017/18. This is due to the budget cuts that affected mainly capital expenditure (such as construction projects) as well as expenditure for materials and supplies. Personnel expenditure is more challenging to adjust in the short term, in part due to reluctance to lay off employees which would increase domestic unemployment from an already high base. The budget cuts affected in particular pre-primary education. Subsequently, the share of personnel expenditure jumped from 59.4% to 93.5% (2017/18) of the total allocation to pre-primary education. The share of personnel expenditure is somewhat lower for primary education, at 89.4%, and is the lowest for secondary education, at 79.6%.

The 2017 Public Expenditure Review (PER) of the basic education sector found that the number of teachers in the payroll data differ significantly from those in the Annual Education Census (AEC). In fact, the PER established that there were almost 20 cases where 7 or more teachers at a school were found on the payroll but were not counted or listed by name in the AEC. Ideally, the number of teachers on payroll should match the number of teachers reported in the AEC. This inconsistency between the data from AEC and the payroll system raises a question of whether there are “ghost teachers” on the payroll, which would present an unnecessary leakage of funds which could otherwise be redirected to priority areas.

Development expenditure rose from 4.2% in 2012/13 to 4.9% in 2017/18 and is expected to grow further to 7.3% and 6.8% over the next two financial years. 87% of the development funds are used for construction, renovation and improvements to buildings. However, the state of many schools indicate that insufficient funds are spent on maintenance and repairs.



Furthermore, reports about children still being taught under trees or in shacks built with corrugated iron, without proper learning and sanitation facilities, indicate that either the financial resources allocated to the development budget are insufficient or are not spent effectively. Finally, there are still schools offering education only up to Grade 4. This situation results in many learners from Grade 5 and upwards either having to travel longer distances to school, or competing for limited space in hostels, many of which are in a poor condition.

The MoEAC allocation per learner declined between 2015/16 and 2017/18 both in terms of the total allocation as well as on the allocation to operational expenditure. Operational expenditure to the amount of NAD6, 195 was allocated per pre-primary learner in 2015/16, but only NAD4, 024 in 2017/18. The allocation per primary and secondary learner dropped from NAD15, 845 and NAD17, 606 to NAD15, 214 and NAD16, 126 respectively. Cumulative inflation of 10.33% over this period further eroded the allocation per learner, to a real value of NAD3, 483, NAD13, 703 and NAD14, 406 for pre-primary, primary and secondary learners, respectively. With regard to private education, the Government provides subsidies to private schools based on a funding formula.

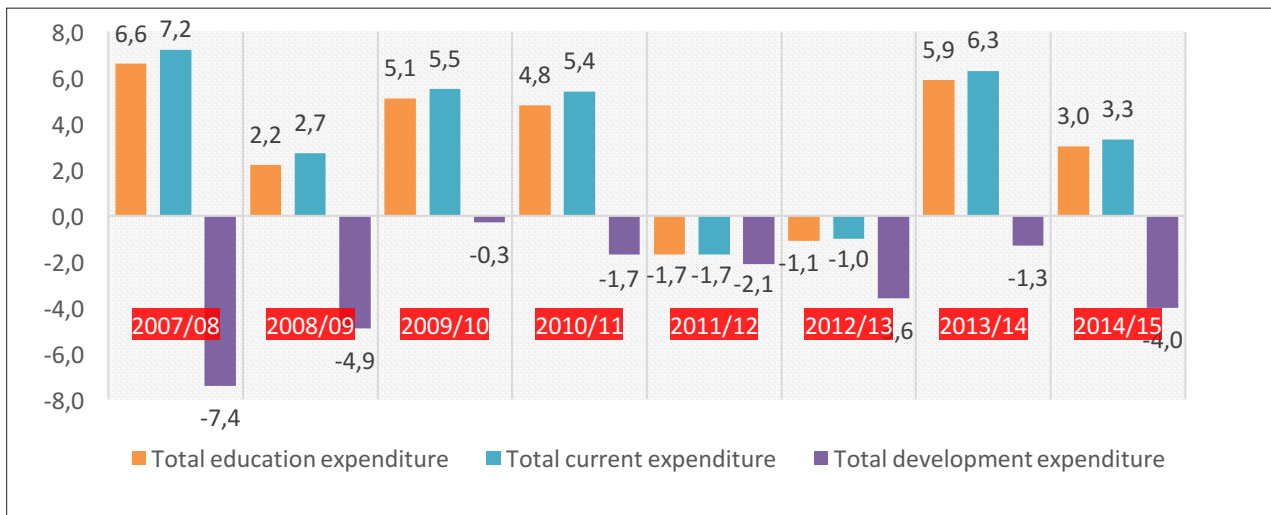
Due to the budget cuts some private schools were not provided with subsidies in 2017. This funding formula

is currently under review and will likely be adjusted. The PER reveals that this subsidy for private schools could be a cost-effective way for Government to still provide access to education without facing the full funding costs, as long as the quality is ensured. This however requires further analysis.

Key observations

- The imbalance between capital expenditure and salary costs are a major concern. The ministry can reduce personnel expenditure through application of the 2001 staffing norms and cross-check payroll data with the Annual Education Census in order to minimize the risk of ghost teachers.
- Budget cuts impacting funding for learning materials and allocation per learner should not come at the expense of above-inflation salary increments. Adjustments to personnel expenditure need to be well balanced against the need for educational resources and infrastructure.

Figure 4 : Under- and over expenditure in percent by region, 2007/08 to 2014/15



Source: MoEAC, 2017

Budget credibility and execution

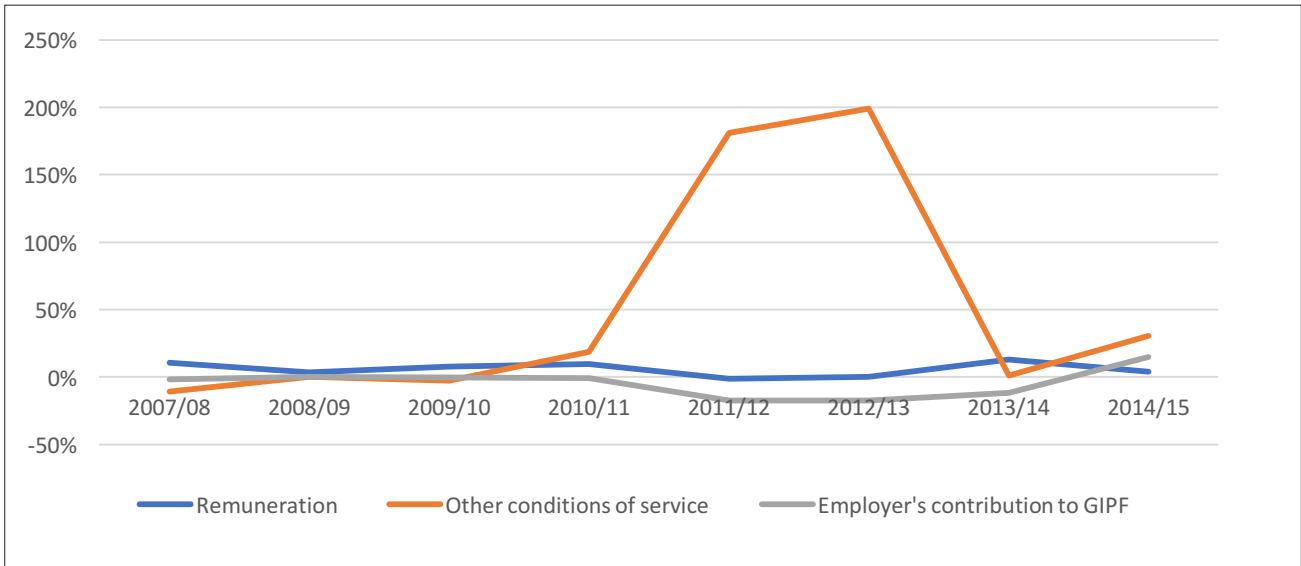
Spending discipline in the education ministry can be improved. Figure 4 shows the degree of over- and underspending of each of the main economic categories of the basic education budget for the period 2007/08-2014/15. The total education budget was overspent throughout the period with the exception of the 2011/12 and 2012/13 fiscal years. This overspending is attributed to the operational budget, in contrast with the spending for the development budget, which was underspent throughout the period under review.

Personnel expenditure is the main driver of overspending. Components of personnel expenditure (remuneration, other conditions of service and employers' contributions to the government employees' pension fund) contributed significantly to aggregate overspending of allocations for operational expenditure spending (see Figure 5). The sub-category 'other conditions of service' in the personnel budget was the biggest contributor to overspending during the period, amounting to 198.9% of the authorized expenditure. Other sub-categories of current spending - such as utilities and maintenance - also contributed to the problem from time to time.

The MGECW did not fully utilise the funds allocated for the support of ECD Centres. These include ECD support subsidies, learning and teaching materials as well as the training of educarers. Only 81% of the allocated funds were spent on average over the period. The execution rate for the development budget has



Figure 5 : Under- and over expenditure on personnel budget in percent, 2007/08 to 2014/15



Source: MoEAC, 2017

lagged that of the operational budget. The execution rate for the development budget rose from 92.6% in 2007/08 to 98.3% in 2010/11 before decreasing to 97.9% the following fiscal year and eventually decreasing to 96.0% in 2014/15. During the same period, the execution rate for the operational budget was over 100% except in the 2011/12 and 2012/13 fiscal years. A similar trend is observed in the total basic education budget, suggesting that the execution of the overall budget is mainly fuelled by the (over)execution of the operational budget. The relatively low execution rate in the development budget is suggestive of challenges in the planning and procurement processes.

Equity of spending

Education spending varies largely between regions. This can be attributed to, amongst others, the number of learners staying in hostels, which differs between regions. Through a decentralised approach, the regions finance government hostels directly, as well as subsidize meals and maintenance for private hostels. The allocation to hostels varies between the regions. Secondary school hostels receive more funding than primary schools, while government also provides subsidies for private school hostels. The Omaheke region accommodates the largest number of learners in hostels, followed by the Kunene region.

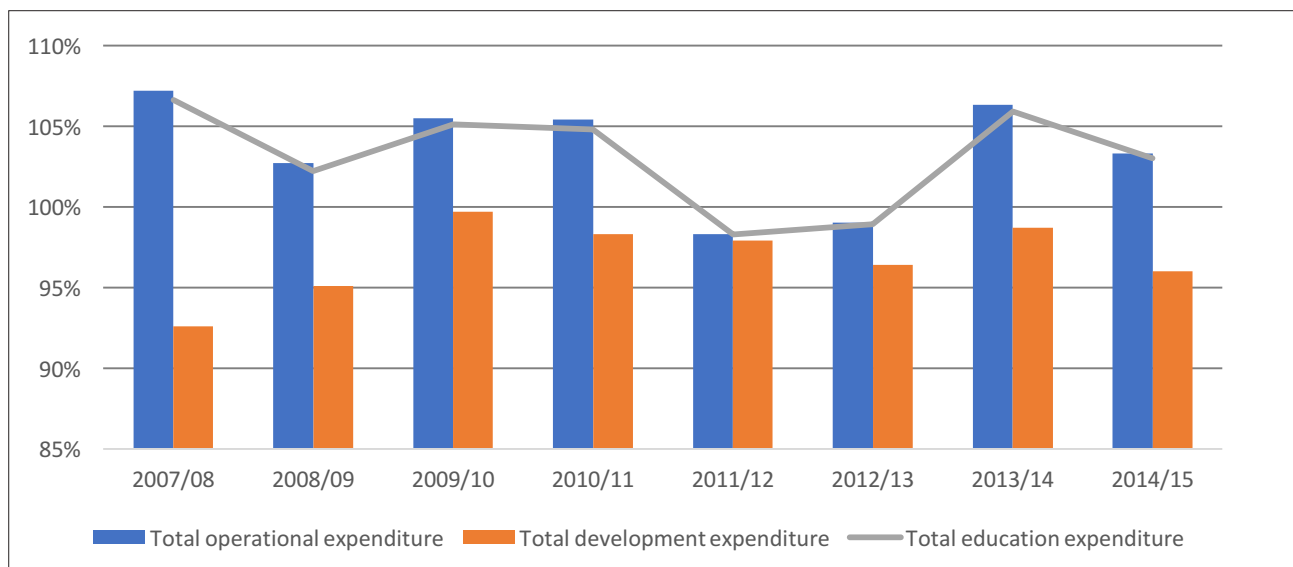
Furthermore, utility costs (electricity and water) strain heavily on the budgets and are biased towards regions that are well connected to the electricity grid and central water supply. Operational transfers to the regions have been cut substantially over the last year.

Key observation

- ➔ Development budgets seem not to be monitored well enough. The Ministry should ensure sufficient funds for the development budget and the full utilization of these funds in order to improve access to schools in particular for young learners. With a pro-poor focus, the upgrading of schools that offer grades up to Grade 4 in remote areas should be given priority in order to reduce walking distances or increased burden on hostels.



Figure 6 : Basic education budget execution by main economic activity in percent, 2007/08 to 2014/15



Source: UNICEF, based on data from MoEAC, 2017.

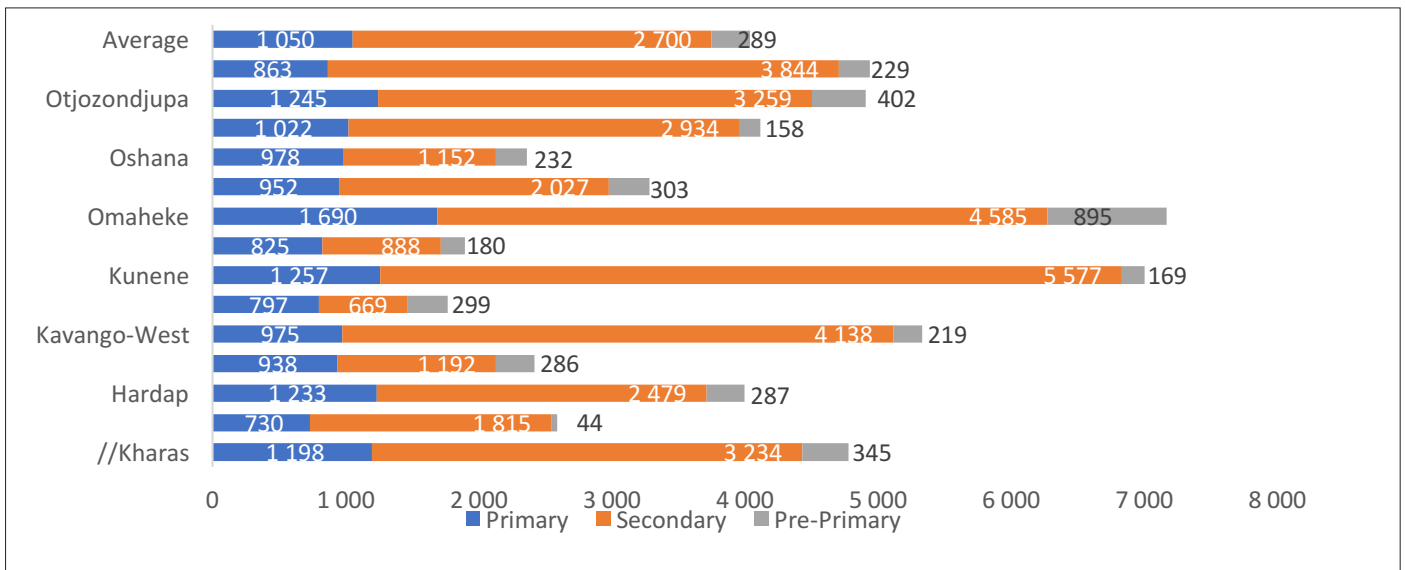
The MoEAC has decentralised responsibilities to the 14 regions and transfers funds to the regions to cover costs for, among others, textbooks and stationery, utilities, and hostels. Transfers to the regions dropped from 14.5% of primary education funding and 29.9% of secondary education funding in 2016/17 to 6.4% and 14.2% respectively in 2017/18, resulting in the allocation per learner declining substantially. Budget cuts have resulted in hostels closing earlier than normal during the first term of 2017 in order to save funds. Currently, schools not connected to the grid are disadvantaged in various aspects including receiving a lower amounts of funding per learner than schools that are grid-connected.

The allocation per learner for textbooks and stationery was cut from NAD600 (secondary learner) and NAD400 (primary learner) to NAD250 for all in the 2017/18 fiscal year. Consequently, schools can no longer buy sufficient textbooks and stationery for all learners. The budget cuts jeopardise the ministry's objective to achieve a textbook to learner ratio of 1:1, which was achieved in 2015/16 for major subjects such as mathematics, physical sciences and English for Grade 10 to 12. Furthermore, funds for textbooks and stationery should ideally be transferred to schools before the start of the new school year so that they can be ordered in time so as to available at the beginning of the school year.

Findings from the PER reveal substantial regional differences in the spending on textbooks and



Figure 7 : Allocation per learner per region in NAD, 2017



Source: UNICEF, based on data from MoEAC, 2017.

stationery for pre-primary schools in the FY2016/17, as this expenditure is decentralised to the respective regions. Spending varies between zero in the Oshikoto region to NAD1, 964 in the Omaheke region, with a national average of NAD284. Sufficient funding for ECD, pre-primary and junior primary in particular is necessary in order to pave the way for strong learning outcomes.

The current limited fiscal space therefore requires a clear prioritisation of budgetary allocation. Furthermore, innovative ways of sourcing funding are needed in order to limit the impact of funding constraints on educational outcomes and continued reliance on parent contributions to the SDF. This could include incentivising action for a willing private sector, encouraging corporate social responsibility initiatives this direction.

The aforementioned PER recommends that Government link the allocation to textbooks and stationery to personnel expenditure in order to ensure sufficient funds are available for these items.

Key observations

- ➔ In the interest of equity, there is a need to develop an objective and equitable funding model for schools that acknowledges and takes into account the current differences in the availability of learning materials and facilities at schools. The funding formula should include costs for water and electricity so that schools that are not connected are financially not disadvantaged and to encourage the efficient use of water and electricity at schools.
- ➔ There is an opportunity to link the allocation for textbooks and stationery to personnel expenditure in order to ensure sufficient funds are available for these items.

Spending varies between **0** in the Oshikoto region to **NAD1, 964** in the Omaheke region, with a national average of **NAD284**



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