This budget brief is one of four that explores the extent to which the national budget addresses the education needs of children and youths in the Kingdom of Lesotho. This brief analyses the size and composition of budget allocations for the fiscal year 2017/18 and offers insights into the efficiency, equity and adequacy of past spending for the education sector. The main objectives of the brief are, firstly, to synthesise complex budget information so that it can be easily understood by all stakeholders, and, secondly, to put forth key messages which can inform policy and budgeting decision-making processes.
INTRODUCTION

The Government of Lesotho is committed to education. Since 1999, the country undertook far-reaching reforms in the sector and ratified most of the international treaties and conventions related to education. However, it was only in 2010 that the Government enacted a law that made primary education compulsory.

The sector is guided by the National Development Plan and a strategic sector plan. The Education Sector Plan (ESP) 2016 – 2026 has prioritised improved access, quality and equity of education; enhancement of relevance and applicability of skills; expansion and upgrading of Technical and Vocational Education and Training (TVET) institutions; improved performance in science and mathematics at all levels of teaching and learning; and transformation of tertiary institutions within the education sector to be world class. The plan indicated an allocation of 23.3 per cent of total Government recurrent budget to education, an amount corresponding to 9.2 per cent of the national GDP on an annual basis.

Lesotho’s formal education system has the provision of five layers of education. The layers include three years of integrated early childhood care and development (IECCD), seven years of primary, three years of junior secondary, two years of senior secondary and four years of tertiary education. In addition, the system includes TVET for skills development at the post-secondary level, and non-formal and specialised education for those who are excluded from the formal schooling system.

The Ministry of Education and Training (MoET) is responsible for formulating policies, strategies, standard norms and guidelines; mobilising finances and providing education services with the collaboration of other service providers. Education services are provided through seven departments – Primary, Secondary, Teaching Services, Tertiary, Curriculum Services, Planning, and TVET. Although the system remains largely centralised, it encompasses ten administrative districts, which are divided into four ecological zones – lowlands, foothills, Senqu River valley and highlands.

There are many service providers in the education sector in Lesotho. The majority of lower basic and secondary schools are owned by different churches followed by Government and then communities. However, almost all education personnel are employed by the Government through the MoET and therefore are subjected to government rules and regulations. In addition to paying salaries, the Government extends subsidies to cover school fees, especially for lower basic education, which should be free.

The MET has made strides towards embracing an integrated approach to early childhood care and development (ECCD). The 2013 National ECCD Policy for Lesotho emphasises the need for integrating ECCD in the education sector using a rights-based approach. It puts forth the following principles: (i) a focus on equity, with priority given to the most vulnerable and marginalised children; (ii) a comprehensive, integrated release of recurrent budget as a proportion of allocated budget is 100 per cent, but the development budget is characterised by chronic low requests.

• In the previous fiscal year, the recurrent budget across all ministries was affected by economic slowdown in Lesotho and South Africa, leading to low revenues, particularly for the Southern African Customs Union (SACU).

• Investments in early childhood education are unbalanced. About 66 per cent of preschool-age children are deprived of pre-primary education, yet the sub-sector is allocated only 0.4 per cent of the education budget. Children need a good start in life to reach their potential as adults. The government should rebalance outlays in favour of early childhood education.

• Donor funding in the education sector is declining. Grants have fallen from M203 million in 2014/15 to only M8.4 million in 2017.

and multi-sectoral service; (iii) child and parental rights; (iv) inclusiveness of children with disabilities or developmental delays, as well as those from minority ethnic groups; and (v) high quality services. The Government of Lesotho continues to work with donors to improve the education system.

The World Bank is the largest donor and is the grant agent for the Global Partnership for Education with a grant of US$2.1 million to support the implementation of the 2016-2025 Education Sector Plan. It is also supporting the Lesotho Education Quality for Equality Project at a cost of US$ 25 million. UNESCO supports HIV and AIDS education and education for sustainable development through the Lesotho National Commission for UNESCO, and UNICEF supports early childhood development (ECD), systems strengthening, inclusive education as well as non-formal education initiatives.

Despite the commitment of the Government to education, grave challenges remain. Structural challenges include extreme poverty, low levels of education, a shortage of schools and teachers, and few employment opportunities for recent graduates. A recent analysis identified a number of specific challenges that include: (i) poor retention rates at primary and secondary levels; (ii) low student learning outcomes; (iii) inadequate skills for graduates; (iv) high inefficiencies in the system; (v) high rates of HIV and AIDS among students; and (vi) poor school governance.

A primary concern continues to be low enrolment rates across all education levels, which have improved little since 2000. Primary school enrolment rates remain at 80 per cent and have shown no improvement since 2000. This also indicates that one out of every five young children is not taking advantage of the universal policy and the main focus of education policy in the country (Figure 1). Pre-primary and secondary rates fare far worse, both of which are below 40 per cent, the latter of which is affected by fees and a shortage of secondary schools in remote areas. Primary-to-secondary transition rates are somewhat more encouraging, at 86 per cent, although very few Basotho attend university education (less than 10 per cent) (Table 1). The literacy rate is also relatively high at 87 per cent for youth and 90 per cent for adults.

TABLE 1: Selected education indicators, 2014, Lesotho

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
<th>Ref. year</th>
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<tbody>
<tr>
<td>School enrolment, tertiary (percentage gross)</td>
<td>9.84</td>
<td>2014</td>
</tr>
<tr>
<td>Transition rate from primary to junior secondary (percentage)</td>
<td>86.60</td>
<td>2014</td>
</tr>
<tr>
<td>Literacy rate, adult total (percentage of people aged 15 and above)</td>
<td>89.6</td>
<td>2014</td>
</tr>
<tr>
<td>Literacy rate, youth total (percentage of people ages 15-24)</td>
<td>86.63</td>
<td>2014</td>
</tr>
</tbody>
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FIGURE 1: Net enrolment rate: pre-primary, primary and secondary, 2000-2015, Lesotho

Source: World Development Indicators (2017)
EDUCATION SPENDING TRENDS

Total spending on education has decreased dramatically in recent years in real terms and flat lined in nominal terms. Between 2015/16 and 2017/18, total spending declined by nearly 9 per cent after taking into account price changes (Figure 2). At the same time, in current prices, total spending on education was virtually unchanged when comparing the same time period. These trends are particularly worrisome given the major education sector challenges and increasing number of students.

The spending in the education sector has also declined as a percentage of both national budget and GDP. The proportion of allocation, as a percentage of national budget, decreased from 14.8 per cent in 2015/16 to 13.8 per cent in 2017/18; and as a percentage of GDP, 9.1 per cent in 2015/16 to 7.1 per cent in 2017/18 (Figure 3).

Despite declining trends in allocation, education remains as the priority sector for the Government. In 2016/17, the education sector was allocated the highest amount of national budget, 13.8 per cent of total expenditures, followed by health at 12 per cent (Figure 4). Despite receiving the largest allocation of the Government budget, Lesotho’s education budget is yet to meet the EFA spending benchmark (20 per cent of national budget).

Lesotho’s investments in education also fall below neighbouring countries. With the exception of Zambia, all of Lesotho’s neighbours spend at least 16.6 per cent of their budgets on education, with some countries such as Namibia and Botswana exceeding the EFA commitment which indicates that other countries in Southern Africa have stronger commitments to education than Lesotho.

2. UNESCO’s database of Government expenditure, which uses education national accounts to allow for cross country analysis.
TAKEAWAYS

- Although the education sector is allocated the highest amount of Government’s budget (13.8 per cent), the proportion of spending in real terms has been declining since 2013/14.

- Lesotho’s spending on education is one of the lowest among its neighbours. The expenditure of all neighbouring countries of Lesotho, except Zambia, ranged from 16 to 24 per cent.
COMPOSITION OF EDUCATION SPENDING

The majority of financing goes to support primary education, with almost nothing to support the pre-primary level. Overall, more than 56 per cent of the education budget was directed to primary school in the current fiscal year (2017/18), which is in line with the Government’s aim to achieve universal primary education (Figure 6). At 28 per cent, secondary education emerges as the second major financing priority within the education sector. Tertiary education was allocated about 5.6 per cent of the total education budget. In contrast, early childhood education (ECE), a precursor for positive life development and education success in later years³, received only 0.4 per cent of the total education budget.

Inefficiency in education spending remains a grave concern. In the current fiscal year, while the allocation to recurrent expenditure was M2,320.1 million (96 per cent of the education budget), the allocation to development expenditure was only M102.6 million (only 4 per cent). The proportion of the recurrent budget has been consistently high over the last five years, ranging from 90 to 96 per cent (Figure 8) which is 15 per cent above the international standard of 80 per cent. The recurrent expenditure is dominated by compensation of employees (Figure 9). Of the total recurrent budget in 2017/18, about 78 per cent was allocated for teacher salaries, pensions and other related items.

Development spending is on the decline and represents a very small share of overall development spending in Lesotho. In the current fiscal year, the proportion of development budget in the education sector as a percentage of the total education budget was 4.2 per cent (Figure 10). The proportion has consistently declined since 2014/15. Between 2014/15 and 2017/18, the spending has fallen by at least 60 per cent (Figure 10).

³ Recent brain research suggests the need for holistic approaches to early childhood development that encompass young children’s physical and intellectual well-being as well as their socio-emotional and cognitive development (Sayre et. al, 2014). *It is indicative but not directly comparable, that the data, other than from Lesotho, is from UNESCO, and is based on national education accounts, whereas the Lesotho data is from BOOST 2017.
TAKEAWAYS

- The lion’s share of financing goes to primary education, followed by junior secondary, which is in line with Lesotho’s objective to achieve universal primary education.

- While giving children a good start in life to reach their potential as adults is critical for Lesotho, the investment in early childhood education, only 0.3 per cent of the total education budget, is highly negligible.

- Inefficiency in education spending remains a grave concern. The proportion of the recurrent budget has been consistently high over the last five years, ranging from 90 to 96 per cent (Figure 10) which is 15 per cent above the international standard of 80 per cent.

- The education budget is dominated by salaries and employee compensation; about 76 per cent of the recurrent budget is spent on wages.

- Development expenditure has consistently declined, representing a very small share of overall education spending in Lesotho.
BUDGET CREDIBILITY AND EXECUTION

The recurrent budget for education has been characterised by high credibility in recent years, except in 2016/17. Dominated by wages, pensions, training and travel outlays for staff, and mainly executed at central level, there was virtually no variance between approved and actual recurrent education spending over the 2013/14-2015/16 period (Figure 11). However, in 2016/17, the whole recurrent budget across all ministries was affected by economic slowdown in Lesotho and South Africa leading to very low turnouts for revenues, and in particular SACU revenues, which are highly dependent on strong import growth demand from South Africa.

In contrast, the development budget for education suffers from chronic under releases. Just under half of the approved budget was actually released in 2013/14 and 2014/15, which fell in 2015/16 and amounted to a meagre 7 per cent in 2016/17 (Figure 11). Managed by the MoET Project Accounting Unit, the development budget for education primarily includes government funding along with additional projects dependent on donor funding. Because the development budget is project based, its execution varies heavily from year to year. Notwithstanding, there appears to be very little credibility of this project-based category.

Education budget execution (absorption) of both the recurrent and the development budgets is high. In the current fiscal year, about 93 per cent of the recurrent budget was executed. The rate of execution was consistently high over the last four years, ranging from 93 - 99 per cent. The rate for development budget was also surprisingly high in education, ranging from 79 per cent to 100 per cent (Figure 12). The rate of execution was the lowest in 2016/17.

TAKEAWAYS

- The recurrent budget for education has been characterised by high credibility in recent years but the development budget suffered from chronic under releases.

- The rate of education budget execution (absorption) for both the recurrent and the development budgets is high which indicates space for other ministries to learn where the rate of development budget execution is poor.
FIGURE 11: MoET released budget (recurrent and development), as percentage, against approved budget, 2013/14-2016/17, Lesotho

FIGURE 12: Budget execution (recurrent and development) percentage of released budget, 2013/14-2016/17, MOET, Lesotho


FINANCING THE EDUCATION SECTOR

The education sector is mainly financed by Government, with a small and declining source of funds from donors. Overall, total government financing has amounted to over 95 per cent on average over the past three years. In contrast, donor grants declined from a high of M203 million in 2014/15 to only M8.4 million in the current fiscal year (Figure 13), which accounted for 0.35 per cent of total financing. The Government also had education sector loans, which totalled M65 million in 2016/17 or 2.8 per cent of total education financing.

The ongoing volatility and diminishing flow of financing from external sources makes it increasingly important to identify alternative sources of education funding. Fortunately, the Government acknowledges the decrease in donor support coupled with the vulnerability of the national economy to internal and external shocks, such as falling SACU revenues and remittances or internal political and security uncertainty. Nonetheless, there are several concrete options available to the Government to increase the availability of its own resources for education, such as by reigning in the ballooning wage bill, reducing wastage in public expenditures and/or earmarking new revenue streams, such as from tourism and extractive industries.

TAKEAWAYS

- Current financing needs are massive. New school infrastructure, textbooks and other materials as well as improved teacher adequacy rates must be urgently addressed with improved quality and size of expenditure if Lesotho is to meet sustainable development goal (SDG) targets in education.

- The ongoing volatility and diminishing flow of financing from external sources makes it increasingly important to identify alternative sources of education funding.