

# UPHOLDING PUBLIC INVESTMENT COMMITMENTS FOR EDUCATION AMIDST COVID-19

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## Ethiopia

Budget Brief 2020/21



### KEY MESSAGES

- 1** The national education budget allocation in Ethiopia increased by 60 per cent in nominal terms, from ETB 86.2 billion in 2016/17 to ETB 137.2 billion in 2020/21. However, taking inflation into account, the real value of the allocated budget has shown a 5 per cent decline.

Recommendation: As inflation is undermining the real budget value allocated to the sector, the government is encouraged to at least maintain the previous level of spending in real terms to avoid setbacks in educational outcomes.

- 2** The Ministry of Education's (MoE) Annual Education Statistical Abstracts are no longer publishing information on education spending disaggregated by education level.

Recommendation: Continuing to publish annual, disaggregated expenditure data would be needed for analysis, to help track per capita expenditure on education, and thus inform policy and sector strategies more accurately.

- 3** Spending on early childhood education (ECE) is aggregated with primary education, making it difficult to track and monitor its share of spending.

Recommendation: To allow the tracking and monitoring of ECE investments, a separate budget line should be available for improved analysis on the adequacy and effectiveness of spending.

- 4** Access to primary education has been gradually increasing, with significant improvement in primary enrollment rates. However, access to secondary education remains a hurdle, as only a limited number of secondary schools are available in the country.

Recommendation: More resources need to be allocated to building secondary schools, which are currently the 'missing link' in the education system.

**5 The new curriculum reform, which is critical towards enhancing the quality and relevance of education, requires proper planning and adequate resource allocation.**

Recommendation: The government needs to have a cost roadmap on the implementation of the curriculum reform, and ensure the resources required for implementation are mobilized in a timely manner to address issues in education quality and equity.

**6 With schools now re-opened (and others re-opening) after a long closure due to COVID-19, proper investment is needed to ensure safety and protective measures.**

Recommendation: Additional investment is required to ensure schools are safe and the teaching-learning environment is not disrupted again.

**7 Conflict coupled with internal displacement in various parts of the country is forcing students to discontinue education and drop out of school.**

Recommendation: The government has initiated a comprehensive assessment. Once the recovery measures are fully costed, there is an immediate need to mobilize resources and utilize them efficiently to reverse the damage and ensure children can go back to school without further delay.

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## 1. INTRODUCTION

### Education Sector Overview

**The education sector in Ethiopia operates within a decentralized system of government.** Regional governments are responsible for the administration and management of general education (secondary and lower levels of education), as well as teachers' training programmes and institutions. The Federal Ministry of Education (MoE) is directly responsible for formulating policy and guidelines, as well as for the development of textbooks for general education. The Ministry of Science and Higher Education is responsible for leading the development of science, and since its establishment in 2018, is also in charge of higher education, as well as technical and vocational education and training (TVET) in the country.

**Since the Education and Training Policy of Ethiopia was issued in 1994, there have been five medium term strategy documents for education.** The fifth Education Sector Development Program (ESDP V) served for the period 2015/16 to 2019/20. Six priority areas are identified under the education and training system. Priority programmes are defined according to the level of education, from pre-primary to tertiary education, and reflect the objectives and strategies for the sector as a whole. With regards to general education, the major focus areas in the programme are quality, access, equity and internal efficiency. The MoE is also addressing quality issues through its Second General Education Quality Improvement Programme (GEQIP II) and General Education Quality Improvement Programme for Equity (GEQIPE), though much remains to be done. The sixth ESDP plan, which will guide the sector for the period 2020/21-2024/25, is developed in line with the country's ten-year development plan.

**After the government carried out a comprehensive systemic analysis of the existing education system, a new education roadmap was introduced in 2018.** The Ethiopian education development roadmap was planned to replace the existing education system starting from 2020/21. However, the Ministry has announced that it will only be partially implemented in 2020/21. Building on the existing achievements of the sector, this new roadmap is designed to address challenges in governance, curriculum and standardization, equity, accessibility and capacity.

**The new education roadmap replaces the 3-4-4-2-2 general education structure with a 6-2-4 education system.**

The earlier system had pre-primary education, primary education conducted in two four-year cycles and secondary education in two two-year cycles. At the end of the secondary first cycle or grade 10, students take a national exam that certifies completion of secondary general education. Students who pass this exam are then enrolled into the secondary second cycle, which prepares students for university education. Those who do not qualify for the second cycle are enrolled in TVET institutions. The new roadmap introduces a 6-2-4 education system, whereby students go through six years of primary education, two years of junior school and four years of high school. It also envisages a two-year pre-primary schooling program before students join grade 1. Under the newly introduced system, students will take a regional exam at the end of grade 6, and sit for a national exam in grade 8. The national examination, which takes place at the end of 10th grade, will be cancelled and replaced with a national higher education entrance examination, administered in grade 12.

**The new roadmap also includes a reform of education expenditure allocation and a restructuring of government expenditure to reallocate spending from higher to lower education levels.**

It further aims to increase the supply of pre-primary schooling, focus on targeted spending, and reform the financing of the education sector through increased community financing, by introducing an education tax and user fees for those who can afford them. Public-private partnerships (PPPs) are also another option the government is exploring. However, a recent study on introducing PPPs in the education sector in Ethiopia suggests that education PPPs will remain small in scale in the near future. MoE will first gather information and experience, and then determine whether or not to invest in PPEs, or, if feasible, decide on the form the investment will take<sup>1</sup>.

**The closure of schools due to the pandemic has highlighted the need to upgrade and modernize the education system.**

As it currently stands, there is a real deficit in basic ICT, Internet connectivity and capacity of the education sector to implement digital learning. This requires large-scale investments in digital technology infrastructure, and has been identified as a priority by MoE. Such investments need to be inclusive and equitable, so that the most excluded children can benefit. Funding for such interventions should come in the form of additional funding for the sector, rather than reducing other essential budget items, such as those needed to expand access and improve quality of pre-primary education, to fund the curriculum review process, or other reforms identified in the Education and Training Roadmap.

**Box 1: Policy and strategy documents for education**

- Ten Year Development Plan: A pathway to Prosperity (2021-2030)
- Ethiopian Education Development Roadmap (2018–2030).
- General Education Quality Improvement Programme for Equity (GEQIPE), 2018.
- National Social Protection Action Plan, 2017 (2017–2021), Regional Social Protection Action Plans for Amhara, Oromia, SNNP and Tigray regions.
- National Social Protection Strategy, 2016 (2016–2019).
- National Pastoralist Education Strategy, 2008 and updated and validated in 2016.
- Education Sector Development Programme V (2015/16–2019/20), which builds on four former Education Sector Development Programmes (ESDPs) implemented between 1997/98 and 2014/15.
- Education Sector Knowledge Management Strategy, 2015.
- National Quality Minimum Service Standards for Primary Schools.
- National Girls' Education and Gender Equality Strategy, 2013.
- Code of Conduct on School-Related Gender-Based Violence (SRGBV), 2013.
- National Education and Training Policy, 1994.
- Communications for Development (C4D) in Education Strategy, 2015

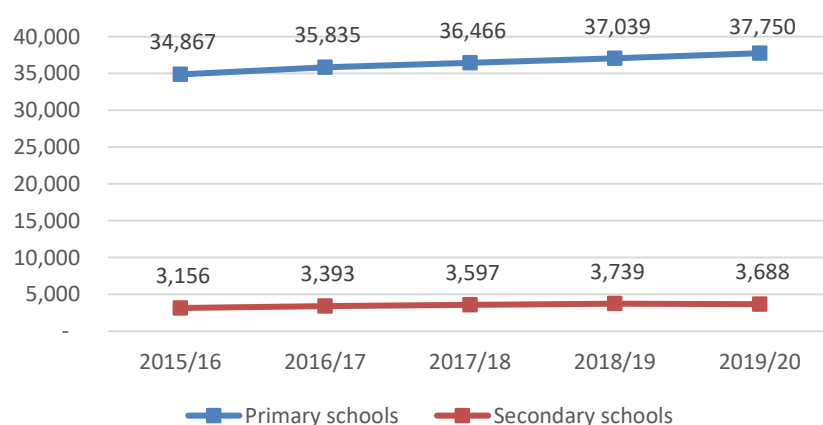
<sup>1</sup> Ethiopian Federal Ministry of Education. 2019. Education Public Private Partnerships in Ethiopia. Commissioned by the Ethiopian Federal Ministry of Education with funding from the UK's Department for International Development (DFID) and support from the British Council Scoping and Feasibility Report.

## Sector Performance

**Educational coverage in Ethiopia has been improving over the years.** Making education accessible to children of all ages has been strongly emphasised. The sectoral development plan pursued by the government helped facilitate greater access to education through the expansion of infrastructure. Accordingly, the number of primary schools, secondary schools, universities and TVET institutions has increased significantly in the past two decades. Progress has been made in making education accessible to the pastoralist community through educational programmes that meet the unique needs of the mobile pastoralist lifestyle, such as the Alternative Basic Education (ABE) programme, mobile and Koranic schools, distance and open learning, and functional and integrated adult education, as outlined in the recently updated National Pastoralist Education Strategy (NPES).

**The number of primary schools and secondary schools has considerably increased from 2015/16 to 2019/20** (Figure 1). The numbers of primary schools and secondary schools have increased by 8 percent and 17 percent, respectively, over the same period. In terms of school ownership, the government owns 93 per cent of primary schools and 89 per cent of secondary schools. Although the growth rate in the number of secondary schools is significantly higher, it should be noted that the improvement starts from a much lower base. Following the current policy shift to merge upper and lower secondary schools in order to have the school-leaving exam at grade 12, schools that used to be separately reported are now reported as one secondary school. Due to this change in reporting, the number of secondary schools reported in the 2019/20 statistical abstract appears to be lower than the number reported for 2018/19. However, in reality, the number of secondary schools has increased in all regions. A total of 100 new secondary schools were constructed in the country, along with expansion work on existing schools.

**Figure 1: Number of primary and secondary schools**

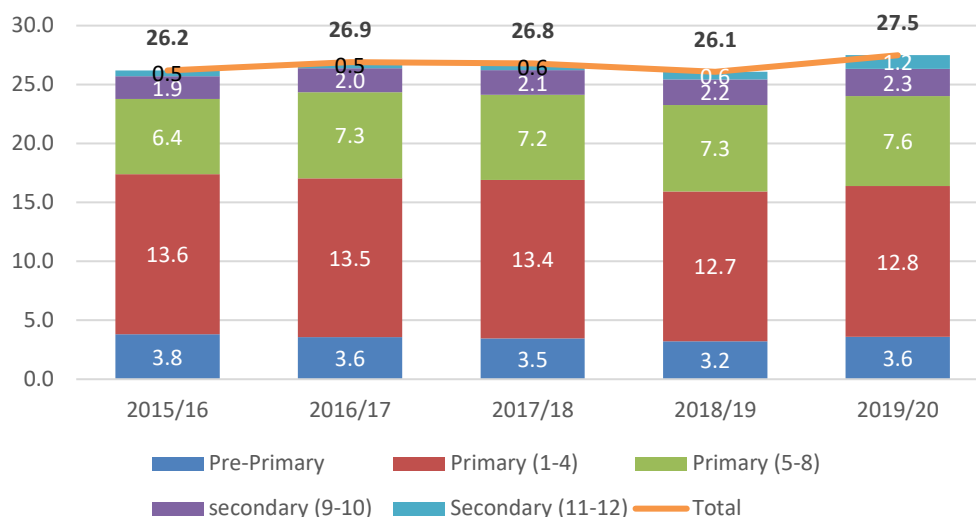


Source: Education Statistics Annual Abstracts (2015/16- 2019/20).

**Even with a higher growth rate for the number of secondary schools, there are still significantly fewer secondary schools than primary schools.** For every secondary school there are around ten primary schools. The limited access to secondary schools is a serious challenge the country faces in its general education efforts. Most children finishing primary school are not able to continue their education, as access to secondary schools is severely constrained, especially in rural areas. The ESDP VI recognizes this need and has tried to address the issue in its five-year strategic plan. In the five years that it covers, it envisages the opening of 1,459 new schools and upgrading and expanding 1,326 secondary schools with an earmarked budget of USD 100 million.

**Following the increase in access to education, the number of enrolled students increased from 26.2 million students in 2015/16 to 27.5 million students in 2019/20** (Figure 2). A concerning observation from the enrolment data trend is the declining number of students in the pre-primary and first cycle primary grades, especially for the years 2018/19 and 2019/20. This decline is mainly attributed to internal security issues that caused significant displacement throughout the country and thus disrupted the education of many young boys and girls. Another consistent observation throughout the years is the very low number of students enrolled in secondary schools, which is mainly caused by low level of access to secondary schools and high dropout rates.

**Figure 2: General education enrolment trends (in million)**



Source: Education Statistics Annual Abstracts (2015/16- 2019/20).

**Despite the notable improvement in the sector, most of the access, efficiency and equity indicators under the ESDP V are below target.** Except for Male Net enrolment ratio for grades 1-8, all other access indicators are below target. The gross enrolment ratio for pre-primary education is much lower than the targeted level of 72 and 73 per cent for female and male students, respectively, with only 44 percent of female and 47 percent of male children attending pre-primary education. The net enrolment ratio for grades 9-10 is also much lower than the target.

**In recent years, early childhood education is getting the government's attention, with pre-primary classes expanding throughout the country.** Previously, pre-primary education was largely left to the private sector. However, investments by the private sector are focused on major towns and cities, with children in rural areas being left out. To solve this problem, the government has taken the initiative to include pre-primary education into the public education system. Accordingly, the grade 0 modality is now introduced in primary school, with around 31,000 classes being opened throughout the country. However, the opening of classes for pre-primary education is not enough. There is an increasing need to ensure that the quality of education is up to standard by providing adequate and appropriate training to teachers. A suitable curriculum also needs to be developed, along with the provision of supporting materials for standardized early education learning and a conducive school environment.

**In terms of education system efficiency, targets for dropout rates for grade 1 and dropout rates for grades 1-8 are not met.** On the other hand, repetition rates for grades 1-8 are on target, at around 5 per cent for both male and female students. Similarly, the completion rate for grade 8 is improving and above target. With regards to equity, the gender parity index has remained the same for pre-primary school, while it deteriorated for grades 1-8 and grades 9-12 compared to baseline levels. On the other hand, the enrolment rate of children in Special Needs Education (SNE) has improved for primary education but declined for grades 9-12. The enrolment rates are also alarmingly low compared to the target set by the ESDPV. This could partly be due to unrealistically high targets that are difficult to achieve.



**Table 1: Selected indicators under ESDP V**

| Key indicators                                      | 2013/14<br>(baseline) | 2018/19<br>(target) | 2017/18 | 2018/19 | 2019/20 |
|---|-----------------------|---------------------|---------|---------|---------|
| <i>Access</i>                                       |                       |                     |         |         |         |
| Gross Enrolment Ratio (pre-primary), %:             |                       |                     |         |         |         |
| Female  | 35                    | 72                  | 43.1    | 39.7    | 44.1    |
| Male  | 33                    | 73                  | 45.1    | 41.8    | 46.6    |
| Net Enrolment Ratio (grades 1–8, including ABE), %: |                       |                     |         |         |         |
| Female  | 90                    | 96                  | 95.4    | 90.8    | 91.3    |
| Male  | 95                    | 97                  | 104.6*  | 99.2    | 99.3    |
| Net Enrolment Ratio (grades 9–10), %:               |                       |                     |         |         |         |
| Female  | 21                    | 41                  | 24.3    | 24.2    | 26.1    |
| Male  | 20                    | 41                  | 23.8    | 24.1    | 25.7    |
| <i>Efficiency</i>                                   |                       |                     |         |         |         |
| Grade 1 dropout rate, %:                            |                       |                     |         |         |         |
| Female  | 23                    | 13                  | 19      | 25      | 21      |
| Male  | 21                    | 12                  | 20      | 25      | 22      |
| Dropout Rate (grades 1–8), %:                       |                       |                     |         |         |         |
| Female  | 11                    | 7                   | 11.4    | 17      | 13      |
| Male  | 11                    | 7                   | 10.9    | 18      | 14      |
| Repetition Rate (grades 1–8), %:                    |                       |                     |         |         |         |
| Female  | 8                     | 4                   | 5       | 4       | 5       |
| Male  | 9                     | 5                   | 5.5     | 4       | 5       |
| Completion Rate (grade 8), %:                       |                       |                     |         |         |         |
| Female  | 47                    | 68                  | 55.9    | 60      | 68      |
| Male  | 47                    | 68                  | 59.5    | 64      | 73      |
| <i>Equity</i>                                       |                       |                     |         |         |         |
| Gender Parity Index (GPI):                          |                       |                     |         |         |         |
| Pre-primary   | 0.95                  | 0.99                | 0.95    | 0.95    | 0.95    |
| Grades 1–8  | 0.93                  | 0.98                | 0.90    | 0.90    | 0.91    |
| Grades 9–12   | 0.91                  | 0.98                | 0.89    | 0.87    | 0.87    |
| Enrolment of children with SNE, %:                  |                       |                     |         |         |         |
| Grades 1-8  | 4                     | 61                  | 9.8     | 11.0    | 11.1    |
| Grades 9-12   | 7                     | 37                  | 2.8     | 2.84    | 2.8     |

Source: Ministry of Education (MoE), Education Statistics Annual Abstract (2013/14, 2017/18 and 2019/20).

**The survival rate to grade 5<sup>2</sup>, which is an estimate of the percentage of children completing the first primary education cycle, is very low and even declining (Table 2).** As the completion of at least four years of schooling is considered a prerequisite for a sustainable level of literacy, the decline in the survival rate to grade 5 is very concerning. The rate has declined from 53 per cent in 2017/18 to 42 per cent in 2018/19, while it recovered to 52 per cent in 2019/20. Although the completion rate<sup>3</sup> at grade 8 has shown improvement over the years, around 30 per cent of children enrolled in primary schools do not complete their education. Pupil-Teacher Ratios have shown an improvement especially for primary education. Generally, PTR data shows a better distribution of teachers with

<sup>2</sup> The Ethiopian Education statistical abstract uses A “synthetic cohort method” to calculate survival rate by assuming a group of pupils, typically 1,000 who are enrolled together and proceed to the 5th grade.

<sup>3</sup> Completion rate is calculated by dividing new pupils in grade by Population official age in that grade. The completion rate is highly dependent on the accuracy of the single age population which is age 11 for grade 5 and for age 14 for grade 8 and the accurate measurement of repeaters in each grade.

respect to students in secondary schools, which could be partially attributed to the low enrolment rate for secondary education.

**Table 2: Selected general education indicators**

| Key indicators                | 2013/14 | 2017/18 | 2018/19 | 2019/20 |
|-------------------------------|---------|---------|---------|---------|
| Survival rate to grade 5, %:  | 55.6    | 53      | 41.7    | 52      |
| Male                          | 49.2    | 52      | 41.2    | 53      |
| Female                        | 57.2    | 55      | 42.2    | 50      |
| Completion Rate (grade 8), %: | 46.7    | 57.7    | 62.1    | 71      |
| Male                          | 46.7    | 60.1    | 59.7    | 68      |
| Female                        | 46.7    | 55.9    | 64.4    | 73      |
| Pupil–Teacher Ratio:          |         |         |         |         |
| Primary (grades 1–8)          | 47      | 43      | 39      | 37      |
| Secondary (grades 9–12)       | 28      | 26      | 24      | 27      |
| Pupil–Section Ratio:          |         |         |         |         |
| Primary (grades 1–8)          | 54      | 56      | 53      | 53      |
| Secondary (grades 9–12)       | –       | 56      | 57      | 64      |

Source: Ministry of Education (MoE), *Education Statistics Annual Abstract (2013/14, 2017/18 and 2019/20)*.

**Although there has been significant improvement in increasing access to education, quality remains a major issue.** For instance, the 2018 Ethiopian Early Grade Reading Assessment results show that only 32.4 percent of Ethiopian students in grades 2 and 3 exhibited relatively functional reading proficiency, with only 6.2 percent reading fluently with full or almost full comprehension.<sup>4</sup> Moreover, according to the Ethiopian Human Capital Index indicators, harmonized test scores of students in Ethiopia were low and on average at 359, on a scale where 625 represents advanced attainment and 300 represents minimum attainment.<sup>5</sup> The learning-adjusted years of school indicator shows that although children in Ethiopia can expect to complete 7.8 years of pre-primary, primary and secondary education by age 18, when years of schooling are adjusted for learning quality, they are only equivalent to 4.5 years, indicating a learning gap of 3.5 years. These imply that the issue of quality, which is now highlighted in the newly developed education roadmap, should be given due attention in the coming years in order to deliver on the sector’s commitment to learning.

**Ensuring equity in education is another challenge the education sector faces.** Equity in education for poor households, girls, students with disabilities and children from pastoral communities remains a concern<sup>6</sup>. Analysis using the Ethiopian Demographic and Health Surveys shows that the share of students enrolled in schools is much higher for richer households than poorer households.<sup>7</sup> In particular, poorest girls are least likely to progress in their education, and therefore benefit from investments in education<sup>8</sup>, which have long-term implications, such as increased participation in the formal labour market, higher economic productivity and incomes, marrying at a later age, having fewer children and providing better healthcare and education for them<sup>9</sup>. Moreover, around 3 million primary school age children are out of school, a number that is higher for girls (1.6 million) than for boys (1.4 million)<sup>10</sup>. Targeted interventions in the education sector are urgently needed to ensure equitable access to education.

**With the first case of COVID-19 being reported in Ethiopia in March 2020, one of the mitigation actions taken by the government was the closure of schools all over the country, which resulted in around 26 million children being out of school.** During these times, the MoE tried to use various approaches to ensure continuity of learning. Some of these methods include using printed materials, radio and television transmission and social media applications, like Telegram. However, these remote learning methods were mostly suited for urban areas and could not bring about the required learning outcomes throughout the country. The government therefore decided to promote all students to the next grade with the exception of grades 8 and 12. This is expected to create a learning gap for most children, especially children in rural areas who were not able to access online education during school closures. For the 2020/21 school year, a decision was made to reopen schools safely by following COVID-19 guidelines and protocols. A shift system was also introduced to decrease the number of students in a classroom.

<sup>4</sup> <https://www.usaid.gov/sites/default/files/documents/1865/Ethiopia-Early-Grade-Reading-Assessment-2018.pdf>

<sup>5</sup> [https://databank.worldbank.org/data/download/hci/HCI\\_2pager\\_ETH.pdf](https://databank.worldbank.org/data/download/hci/HCI_2pager_ETH.pdf)

<sup>6</sup> <http://documents.worldbank.org/curated/en/128401513911659858/pdf/ETHIOPIA-EDUC-PAD-11302017.pdf>

<sup>7</sup> Ministry of Education. 2019. A strategy for mobilizing and utilizing resources for the education sector in Ethiopia.

<sup>8</sup> Ministry of Education. 2019. A strategy for mobilizing and utilizing resources for the education sector in Ethiopia.

<sup>9</sup> <https://www.worldbank.org/en/topic/girlseducation>

<sup>10</sup> Ministry of Education and UNICEF. 2015. Study on Situation of Out of School Children (OOSC) in Ethiopia.

The 2020 ten-year national development plan (2021-2030) lists human resource development as the primary area of focus for the country, and tries to address the access, efficiency, equity and quality issues in the education sector. It stipulates the need for developing comprehensive human resource capacities 'through the provision of equitable access to health and education services, as well as ensuring quality and relevance'<sup>11</sup>. As regards the education sector, the main targets of the plan include increasing access to pre-school education to 100 per cent, achieving 100 per cent net enrolment rate for grades 1-6 (including ABE), raising the net enrolment rate in grades 7-8 to 100 per cent, and raising the net enrolment rate in grades 9-12 to 75 per cent. With regards to efficiency, the plan includes targets to reduce the dropout rate among 1st graders to 1 per cent and increase the completion rate at grade 8 to 90 per cent. It also targets a gender parity index of 1 at all levels of education. To address the quality issue in the sector, the plan targets a 100 per cent share of students who score 50 per cent and higher on the 6<sup>th</sup> and 8<sup>th</sup> grade regional examinations, and 95 per cent share for 12<sup>th</sup> grade national examination.

Currently, the crisis in Tigray and conflicts in other parts of the country are resulting in increased internal displacement, causing children to miss out on education. As a result of the conflict in Tigray, more than 1.4 million children are out of school. The government is currently assessing the extent of damage to the education sector in the region through the emergency education cluster coordination task force. Initial evaluation reveals that there is an immediate need of around USD 17 million to re-open schools with minimum standards, while the recovery cost is estimated to be around USD 121 million<sup>12</sup>. These numbers are an initial estimation and are likely to go up when the full assessment is finalized. In addition to the regular education system disruption in conflict areas, additional challenges are the increasing number of internally displaced people in different parts of the country and damages to refugee camps, which affect the learning outcomes of refugee children. The disruption will have long-term impacts and could reverse the considerable gains the sector has made in the past decades. To address these issues, there is an immediate need to mobilize resources and utilize them efficiently to reverse the damage and ensure children can go back to school without further delay.

### Key Takeaways:

- Despite improvement in access to education, secondary schools remain fewer in number with much lower enrolment rates compared to primary schools and the quality of education remains a grave concern for all levels of education. Strong focus should be given to secondary education through increased resource allocation.
- Although there have been significant improvements in the sector over the years, most of the ESDP V indicator targets on access, efficiency and equity are not yet met signifying that further education investments are required including the efficient and effective use of existing resources.
- The COVID-19 pandemic and the displacement of children due to conflict could result in the reversal of the educational gains achieved in the past years.

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## 2. NATIONAL EDUCATION BUDGET

The government's education budget has been increasing over the past five years in nominal terms (Figure 3). The national education budget has been increasing at an average rate of 15 per cent in nominal terms between 2015/16 and 2020/21. However, the average annual increase in real terms was only around 3 per cent. Although the nominal budget increase is commendable and shows the government's sustained commitment in investing in education, the budget's effectiveness is severely challenged due to soaring inflation. As indicated in figure 3, the real value of education spending declined for the years 2018/19 and 2019/20, only to increase slightly in 2020/21<sup>13</sup>. For the year 2020/21, even if the nominal budget increased by approximately 60 per cent from its value for 2016/17, the real value has actually declined by around 5 per cent. This is a serious impediment to the sector, as investment is actually declining in real terms over the years. Ensuring stable or increasing spending requires strong action by the

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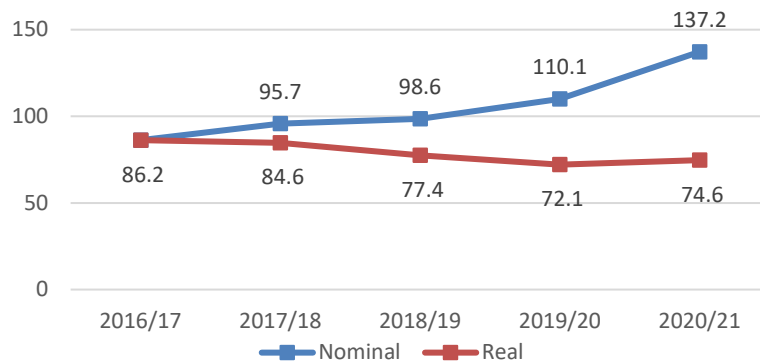
<sup>11</sup> Planning and Development Commission (2020), Ten Years Development Plan: A Pathway to Prosperity.

<sup>12</sup> Information obtained from briefing with MoE.

<sup>13</sup> Since inflation data for 2020/21 is not yet available, the real value is calculated using the inflation rate as of January 2021.

government to stabilize the macro-economic environment through fiscal and monetary policies and control the increasing inflation rate.

**Figure 3: Nominal and real education spending (in billion ETB)**



Source: Data from the Ministry of Finance (MoF).

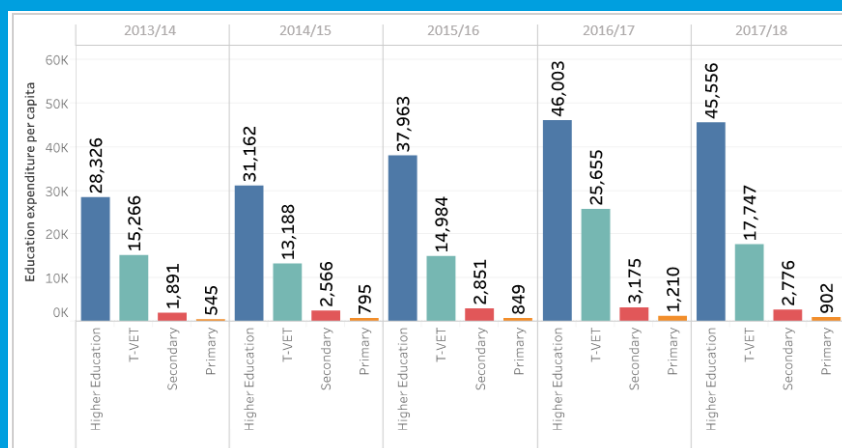
**In terms of government commitment, education remains the priority sector, with a 24 per cent share of total budget in 2020/21.** The second priority sectors in terms of budget allocation are road construction and health with 12 and 10 per cent shares of the national budget, respectively. The share of budget allocated to education is higher than the government’s commitment to internationally agreed targets set out by the Education for All (EFA) coalition, which recommends a 20 per cent national budget share. According to latest data from the World Bank (which may differ from national estimates due to different accounting methods), Ethiopia’s education spending as a share of GDP is 4.7 percent, higher than the sub-Saharan Africa average of 4.6 percent, and the average of lower-middle income countries.



## Box 2: Per capita education expenditure by sub-sector

Per capita education spending by sub-sector indicates a bias towards higher education. Per capita spending for higher education was 50 times higher than spending for primary education, and 16 times higher compared to secondary education. The significant disparity in per capita expenditure is mainly due to high capital investments in higher education. Such an allocation of resources in favour of higher education may not be equitable or pro-poor, as most children in poorer households are less likely to make it to higher education. Increased investment in primary and secondary education should be encouraged, as expanding investment in higher education without sufficient investment in lower levels of education will neither yield high returns, nor is it sustainable.

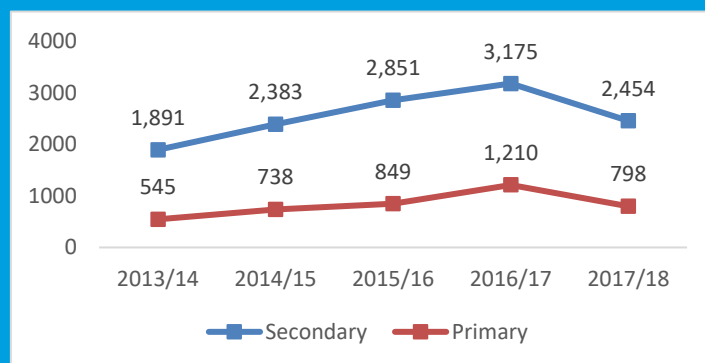
Figure a: Per capita expenditure by education sub-sector



Source: Internal document by MoE on education expenditure analysis

Although the nominal value of per capita expenditure is increasing for all sub-sectors, growth has not kept up in real terms. The high inflation rate is undermining increasing per capita investment, especially in recent years. Real per capita spending for primary and secondary education decreased from 2016/17 to 2017/18, and is expected to further decline, given the inflation trends of the past two years. This requires immediate attention, as lower investment in general education could adversely impact accessibility and education quality.

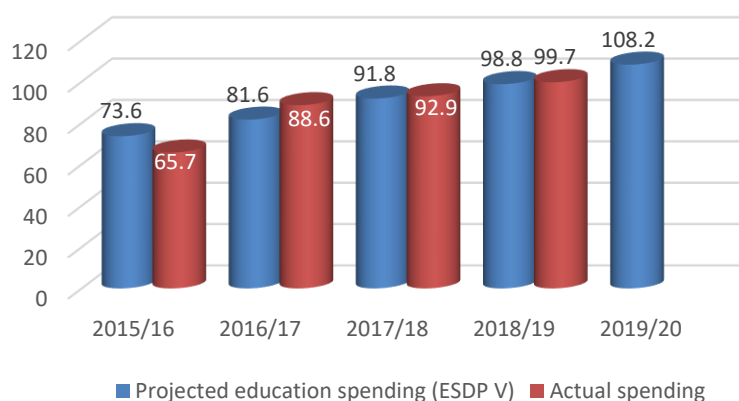
Figure b. Real per capita spending for primary and secondary education



Source: Authors' calculation based on data from MoF

The projected cost for the ESDP V estimated the annual expenditure for education to increase from ETB 74 billion in 2015/16 to ETB 108 billion in 2019/20 (Figure 4). Education expenditure between 2013/14 and 2018/19 has been aligned with ESDP V. The spending was not far off from the projected costs outlined in the plan, except for 2015/16, where the actual spending was 10.7 per cent lower than the plan. For 2015/16, the amount of money budgeted at the beginning of the year for the sector was 68 billion, lower than what was projected in the ESDP V. According to ESDP V, over 40 per cent of the planned resources in 2019/20 were to be allocated to support general education,<sup>14</sup> which is aligned to the government’s plan to achieve universal primary and secondary education by the end of the ESDP V period and by 2025, respectively. Technical and Vocational Education and Training (TVET), higher education and administration expenses were planned to account for around 17, 34 and 7 per cent, respectively, of the 2019/20 budget. The distribution of total education expenditure by level of education could not be analysed in this brief, as the Ministry of Education has stopped making this information available in its statistical abstract since 2015.

**Figure 4: Projected costs of ESDP V (in billion ETB)**



Source: Data from MoF (2015/16-2018/19) and ESDP V.

### Key Takeaways:

- While budget allocation has increased in nominal terms over the years, increasing inflation is undermining the real value of investment in the sector. The government needs to take corrective measures to reduce inflation in order to ensure the real value of education investment is not eroded over time.
- Per capita spending on higher education is much higher than per capita spending on general education (which was 50-fold in 2017/18). The allocation of resources in favor of higher education is not equitable or pro-poor, as most children in poorer households are less likely to make it to higher education. Increased investment in primary and secondary education should be given due attention to bridge the high resource gap with a reasonable balance for tertiary education.

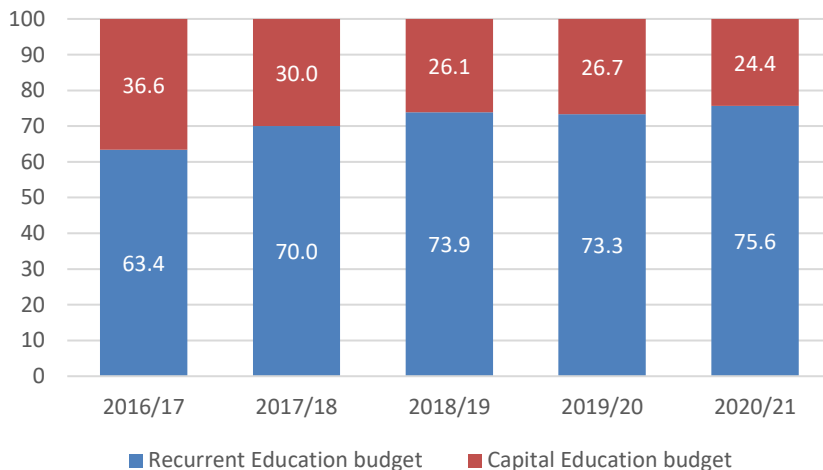
### Composition of the Education Budget

**Recurrent budget makes up the highest share of allocated budget to the education sector.** The share of recurrent budget has increased from 63.4 per cent in 2016/17 to 75.6 per cent in 2020/21 (Figure 5). The higher share of recurrent education spending is reflective of the increasing salary and non-salary recurrent spending and teacher training costs in the expanding education system. The share of capital spending has declined over the years, as the rapid expansion of education infrastructure has subsided. In 2020/21, 24 per cent was allocated to capital expenditure, as opposed to 37 per cent five years ago. Given the increased capital investment over the past years, recurrent expenditure too has been rising in recent years, in order to make the infrastructure operational. According to the

<sup>14</sup> National Education Sector Development Programme V (ESDP V): 2015/16–2019/20.

financial analysis of the ESDP V, the issue of recurrent spending constraints in the sector is critical. In 2020/21, education accounted for 32 per cent of the total recurrent national budget. With the continuing expansion of education, the increasing recurrent spending need has huge financial implications for the government budget, which requires effective domestic resource mobilization.

**Figure 5: Recurrent and capital education budget (per cent of total education budget)**

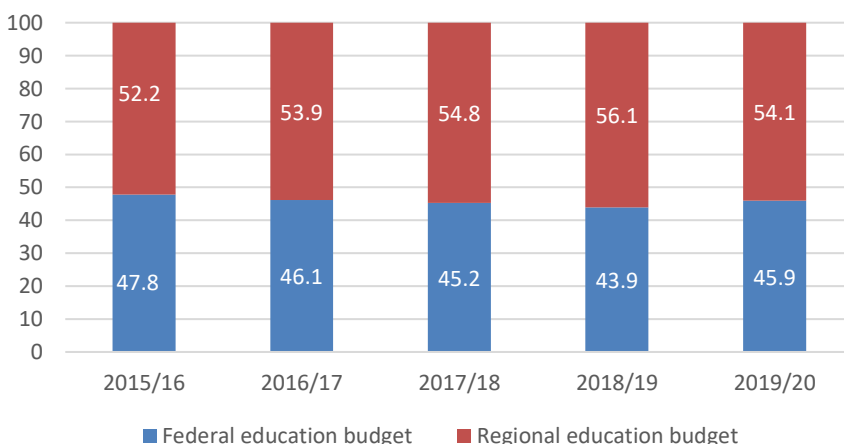


Source: Data from MoF (2016/17-2020/21).

### Decentralization and the Education Budget

In 2020/21, 54 per cent of the country’s education budget was allocated for regions. The share of federal education spending slightly declined from 48 per cent in 2016/17 to 46 per cent in 2020/21 (Figure 6). Most of the allocation at the federal level is targeted towards tertiary education, with the exception of a limited mandate on the preparation of curriculum and textbooks for general education. With primary and secondary education being the mandate of regional governments, a significant proportion of the budget should be earmarked at the regional level for increased investment in general education.

**Figure 6: Federal versus regional education budget (per cent of total education budget)**

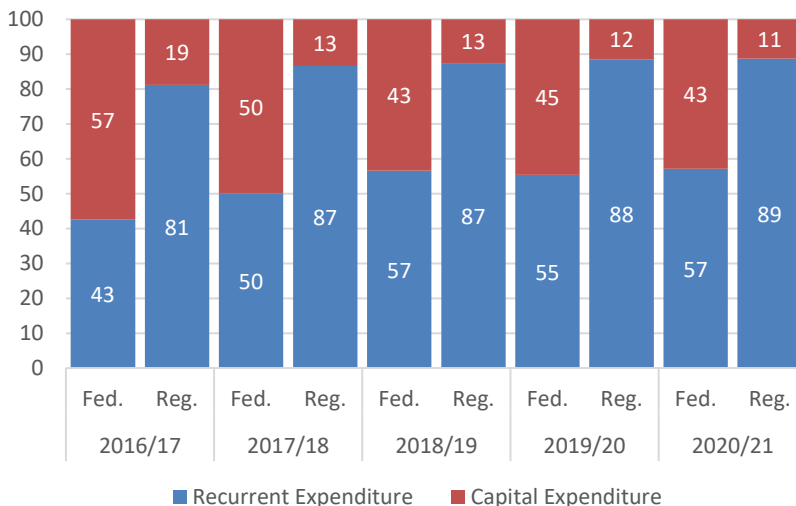


Source: Data from MoF (2016/17-2020/21).

Most of the regional government budget is allocated for recurrent expenditure on general education, while the capital budget is concentrated at the federal level and allocated mainly to investment in tertiary education. In 2020/21, only 11 per cent of the regional education budget is allocated for capital investment (Figure 7). This is almost

the same share as in 2019/20, with only a 1 percentage point decline. At the federal level, the share of capital budget has shown a decline of 2 percentage points from 2019/20 to 2020/21, down to 43 per cent. The federal capital budget share is significantly higher than that allocated by regional governments, which reflects the continued construction and expansion of infrastructure mainly for tertiary education facilities. With 89 per cent of regional budget being spent on recurrent expenditure, regional governments are left with limited resources to undertake capital investments in general education.

**Figure 7: Federal and regional education capital and recurrent budget (per cent)**

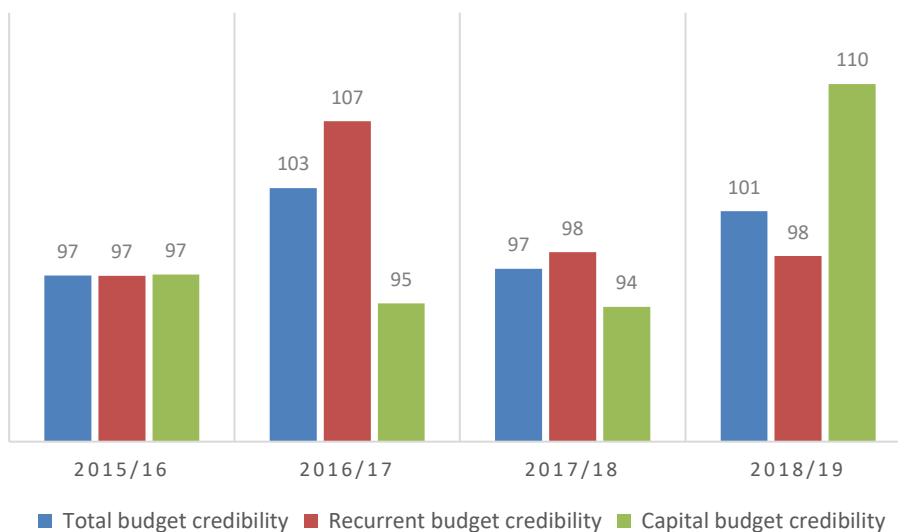


Source: Data from MoF (2016/17-2020/21).

### National Education Budget Credibility

**The analysis of the national education budget for 2018/19 reveals high credibility, with only 1 percent overspending.** The federal budget credibility is measured as the ratio between actual national education expenditure and the education budget share approved at the beginning of the fiscal year. Figure 8 covers the period until 2018/19, as expenditure data has a lag and is available only until 2018/19. In assessing the budget components, capital budget credibility shows overspending of 10 per cent, while recurrent budget credibility shows underspending of 2 per cent.

**Figure 8: National Education Budget Credibility**



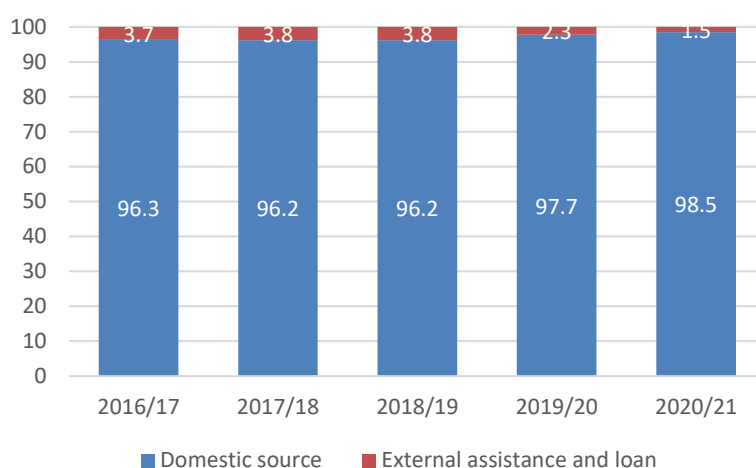
Source: Data from MoF (2015/16-2017/18).

## Education Sector Financing for On-Budget Capital Education Expenditure

A portion of external financing to the education sector is directed through off-budget channels, which are challenging to track. Therefore, this budget brief is limited to analysing on-budget finance and leaves out significant financial resources, which could be channelled, to the sector through off-budget donor resources, private sector investments and households' contributions.

**Capital budget for the education sector is mainly financed from domestic sources.** In 2020/21, 98 per cent of the capital education budget was planned to be financed from domestic sources (Figure 9). Only 1.5 per cent is planned to be financed by bilateral and multilateral development partners. The financing trend indicates the share of external assistance and loans for education are declining over the years, unlike in the health sector, where external assistance and loans are increasingly coming in.

**Figure 9: Sources of finance for federal capital education spending**



Source: Data from MoF (2016/17-2020/21).

### Key Takeaways:

- The national budget is skewed towards financing recurrent expenditure. With a growing child population, there will be greater need for the recurrent budget to finance more teachers which requires a strong commitment to mobilize domestic resources.
- Most of the capital budget for the sector is allocated at the federal government level, which is mainly used for financing capital investment for tertiary education. Most of the budget at the regional level, which is used for secondary and lower levels of education, is allocated for recurrent spending with little resources left for capital investment in general education. A fair share of the capital budget should be directed to the regional level to finance much needed educational facilities and learning materials for general education.

## 3. KEY ISSUES

- **Spending on early childhood education (ECE) is aggregated with primary education, making it difficult to track and monitor.** As a holistic Early Childhood Education (ECE) is a cost-effective way to enhance long-term educational outcomes, there needs to be increased investment in promoting access to and quality for ECE. To allow the tracking and monitoring of such investments, a separate budget line should be available for ECE.

- **The education budget is skewed towards higher education.** With more resources having been allocated to the construction and expansion of infrastructure at the tertiary level of education, investment in general education requires more attention. There needs to be a reallocation of resources with special emphasis on building secondary schools, which are currently the ‘missing link’ in the education system, with one secondary school for every ten primary schools in the country.
- **The new Curriculum Reform, which is critical towards enhancing the quality and relevance of education, requires proper planning and resource allocation.** The government needs to have a cost roadmap for the implementation of the curriculum reform, and ensure the required resources are mobilized in a timely manner to address issues in education quality and equity.
- **With schools now reopened (and others re-opening) after a long closure due to COVID-19, proper investments should be put in place to ensure safety and protective measures.** Ensuring safety in schools by strictly following the COVID-19 guidelines and protocols requires considerable investments. Investments in safety equipment such as facemasks, sanitizers, and thermometers are needed to ensure a safe teaching-learning environment. More investment is also required to maintain and upgrade latrine and hand washing facilities. Furthermore, social distancing requirements demand strong resource mobilisation for the construction of new classrooms, to ensure the standard of teaching 25 students per classroom is met. Funding for social assistance for poor children to return to school or access informal education is also needed, as well as remedial programmes to help children catch up on learning losses.
- **The COVID-19 pandemic has brought to light the immediate need for appropriate WASH facilities in schools.** Although improvements of WASH facilities are taking place as part of the reopening of schools in compliance with COVID-19 protocols, most schools in the country still lack proper water and sanitation infrastructure. Currently the ONE WASH program is working on improving WASH facilities by targeting around 1,000 schools per year. However, mobilizing more resources is needed to ensure that all schools are brought to the required standard within a short period of time and the number of schools that get these facilities is increased.



## Annex 1: Ethiopia National Education Sector On-Budget Records 2016/17 – 2020/21

| Gregorian Calendar Fiscal Year   | 2016/17           | 2017/18           | 2018/19           | 2019/20           | 2020/21           |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Ethiopian Fiscal Year  | 2009              | 2010              | 2011              | 2012              | 2013              |
| Population (in million)  | 94.40             | 96.50             | 98.70             |                   |                   |
| GDP at Current Market Price (in million ETB)                                       | 1,806,656         | 2,202,373         | 2,696,223         |                   |                   |
| General Inflation Rate (CPI growth rate)   | 7.20              | 13.10             | 12.60             |                   |                   |
| Exchange Rate (period weighted average)  | 22.40             | 26.10             | 28.10             |                   |                   |
| <b>Budget (in million ETB)</b>   |                   |                   |                   |                   |                   |
| <b>Total National Budget</b>   | <b>369,704.23</b> | <b>416,120.77</b> | <b>471,195.85</b> | <b>490,325.67</b> | <b>582,257.93</b> |
| Total National Recurrent Budget  | 192,634.16        | 227,108.00        | 273,441.91        | 271,054.19        | 323,934.98        |
| Total National Capital Budget  | 177,070.07        | 189,012.78        | 197,753.94        | 219,271.48        | 258,322.94        |
| <b>Total national education budget</b>   | <b>86,230.45</b>  | <b>95,673.48</b>  | <b>98,584.54</b>  | <b>110,066.93</b> | <b>137,191.86</b> |
| National recurrent education budget  | 54,629.47         | 67,010.78         | 72,855.05         | 80,686.08         | 103,759.01        |
| National capital education budget  | 31,600.97         | 28,662.70         | 25,729.50         | 29,380.85         | 33,432.85         |
| <b>Total government recurrent education budget</b>                                 | <b>54,629.47</b>  | <b>67,010.78</b>  | <b>72,855.05</b>  | <b>80,686.08</b>  | <b>103,759.01</b> |
| Federal recurrent education budget   | 16,919.69         | 21,636.26         | 24,518.04         | 28,031.35         | 32,470.05         |
| Regional recurrent education budget  | 37,709.79         | 45,374.52         | 48,337.00         | 52,654.73         | 71,288.96         |
| <b>Total government capital education budget</b>                                   | <b>31,600.97</b>  | <b>28,662.70</b>  | <b>25,729.50</b>  | <b>29,380.85</b>  | <b>33,432.85</b>  |
| Federal capital education budget   | 22,858.85         | 21,636.40         | 18,796.50         | 22,533.42         | 24,326.62         |
| Regional capital education budget  | 8,742.13          | 7,026.29          | 6,933.00          | 6,847.43          | 9,106.24          |
| <b>Sources of finance for government capital education budget (in million ETB)</b> |                   |                   |                   |                   |                   |
| Domestic source  | 30,417.22         | 27,559.79         | 24,745.48         | 28,711.65         | 32,917.50         |
| External loan  | 600.00            | 570.00            | 484.50            | 314.93            | 264.16            |
| External assistance  | 583.75            | 532.91            | 499.52            | 354.27            | 251.20            |
| <b>Federal government education budget credibility</b>                             |                   |                   |                   |                   |                   |
| <b>Recurrent education:</b>  |                   |                   |                   |                   |                   |
| Original budget  | 54,629.47         | 67,010.78         | 72,855.05         |                   |                   |
| Actual spending  | 58,675.20         | 65,835.90         | 71,380.47         |                   |                   |
| <b>Capital education:</b>  |                   |                   |                   |                   |                   |
| Original budget  | 31,600.97         | 28,662.70         | 25,729.50         |                   |                   |
| Actual spending  | 29,914.80         | 27,062.10         | 28,306.44         |                   |                   |
| <b>Total education:</b>  |                   |                   |                   |                   |                   |
| Original budget  | 86,230.45         | 95,673.48         | 98,584.54         |                   |                   |
| Actual spending  | 88,590.00         | 92,898.00         | 99,686.92         |                   |                   |

Source: Data from MoF.(2016/17-2020/21)



This national education budget brief was produced by Fanaye Tadesse Techane with guidance and inputs provided by Zeleka Paulos. The content has benefited from information provided by Elias Wakjira from the Ministry of Education, and a review by Bob Muchabaiwa from the Regional Office. Work on Public Finance for Children is undertaken under the leadership of Samson Muradzikwa. The analysis presents budget and expenditure that are recorded on-budget for the Federal Ministry of Education (MoE) and its affiliated sub-national level Bureaus of Education (BoE) and district-level Woreda Education Offices. The main objective of this budget brief is to synthesize complex budget and expenditure information so that it is easily understood by stakeholders, to foster discourse and to inform policy and financial decision-making processes.

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