

INVESTING MORE IN EDUCATION TO BOOST THE ECONOMY, GRADUATE FROM LEAST DEVELOPED COUNTRY AND MITIGATE COVID-19 IMPACT

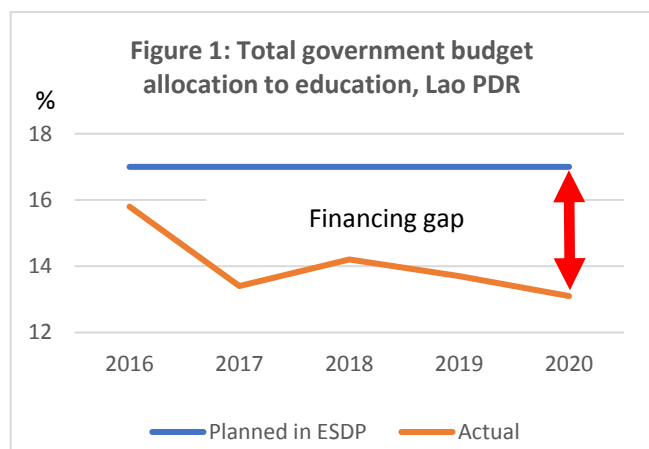
More children than ever before are in school in Lao PDR, but improving the quality of education remains a challenge. The COVID-19 pandemic and expected economic shocks further threatens to erode gains in the sector.

Lao PDR has made good progress in expanding access to basic education over the last two decades. This achievement is key to reaching Sustainable Development Goal (SDG) 4: **ensuring inclusive and equitable quality education and lifelong learning opportunities for all**. It is also crucial to Lao PDR's ambition of graduating from Least Developed Country (LDC) status by 2024.

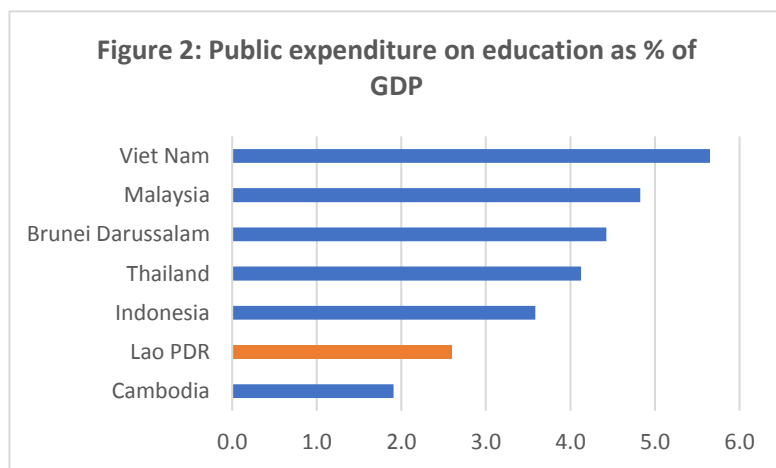
A key challenge is ensuring children in school are learning and completing a full cycle of basic education. A 2017 student learning assessment showed only one in three Grade 3 students met literacy standards for promotion to Grade 4, and one in five students met the standards for mathematics. Students at the end of lower secondary (grade 9) do not master literacy and numeracy skills according to a 2019 assessment. There are wide variations in learning across districts, schools and among students from different socio-economic and ethnic groups. Few students are reaching upper secondary. For every 100 students that start Grade 1, only 83 reach Grade 5, 51 reach Grade 9/Mathayom 4, and 33 reach Grade 12/Mathayom 7.¹

Lao PDR recognizes the need for increased and sustained investment in education to transition to a high middle-income country

Article 60 of the Education Law (2015) states that 18% of the national budget should go to education. The Education Sector and Sports Development Plan (ESDP 2016-2020) uses a 17% annual target. **Despite these commitments, the actual allocation to education has remained low and decreased** from 15.8% in 2015/2016 to 13.7% in 2019 and 13.1% in 2020 (Figure 1).



Draft ESSDP 2021-25, MoES



Source: UNESCO Institute for Statistics. Data from 2017 or latest year available

¹ Draft 9th ESSDP 2021-25, MoES. Data based on school year 2018/19.



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In 2019, **Vietnam** allocated **20%** of the state budget to education, enabling strong investment in **quality learning** including a focused curriculum and greater **investment in teachers**. Vietnamese teachers receive more professional development than most OECD countries (ODID, 2015). Students in Vietnam now have higher test scores than their 15-year-old peers in the U.S. and most EU nations (OECD PISA results, 2016).

What happens when education budgets are too small?

When education budgets decline, so too does the quality of learning. Evidence suggests this is also the case for Lao PDR, as most of the quality improvement programmes envisaged in the ESDP 2016-2020 have not been fully implemented. For example, large financing gaps led to the cancelling of key teacher in-service training programmes, limited essential funding to district education bureaus and schools as part of the school block grants and stalled national investment in WASH in Schools. Efficient education spending is essential, but so too is ensuring that the education budget is sufficient to meet the needs of girls and boys at all levels of the education system. Without proper investment in education, the quality of education suffers, fewer children complete secondary education, and children and young people do not master the skills needed for the world of work.

Lao PDR spends less on education than most ASEAN countries

In 2015, the median global public education expenditure was **4.7%** of Gross Domestic Product (GDP) (GEM, 2017). Lao PDR stands considerably below this global median and that of countries in the region like Vietnam and Malaysia with an expenditure of **2.6%** of GDP on education (Fig. 2)

Children in Lao PDR can expect to complete 10.8 years of schooling by age 18. However, quality-adjusted learning lowers this to the equivalent of only **6.4 years of learning**, implying a **learning gap** of **4.4 years** (World Bank, 2018).

Why “protect” the regular education budget amid the COVID-19 socioeconomic shock?

While Lao PDR has so far avoided a health crisis, the World Bank has warned the country will not be immune to the global economic downturn, with economic growth expected to slow to possibly the lowest level since 1990.² This could lead to further cuts in the government budget and reduction in family incomes. This in turn could lead to reductions in the education budget, leaving only enough funds for salaries, worsening the current challenges for the sector. For already struggling families, this could mean pulling their children from school to engage in child labour or early marriage. This highlights the importance of safeguarding the education budget and mobilizing more funds, in particular for the non-wage budget [Chapter 62, 63 and 67.1](#). It is essential that the education sector’s non-wage recurrent and investment budget increases to finance programmes required to reach the Government education targets and SDG4, and protect the gains made by the sector in the last decade.

² World Bank, Lao PDR Economic Monitor, May 2020

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Why invest more in quality education?

Research clearly shows that strong, sustained investment in quality education - and an equitable and efficient approach to resource allocation - increases individual earnings, increases gross domestic product (GDP) and leads to poverty reduction.³



Increased earnings

One extra year of schooling increases individual earnings by up to **10%**.



Increased GDP growth

Each additional year of schooling raises average annual GDP by **0.4%**.



Reduced Poverty

For each additional year of education among young adults, poverty rates were **9%** lower.

A prosperous country, with a highly skilled workforce requires targeted support to education. This includes:



1. A Significant and Sustained Increase to the Education Budget

An increase to the education budget – particularly the non-wage recurrent budget - is needed if Lao PDR is to realize its education objectives, commitment to children and socio-economic development to achieve LDC graduation by 2024 and high middle-income country status by 2030.



2. Investment in the Quality of Education:

Starting with the prioritization of early childhood education (ECE) and primary education

Prioritization of investments to quality ECE and primary education is much needed considering the low learning outcomes of primary students. This indicates that children do not acquire the fundamental literacy, numeracy and other skills needed for secondary education and further learning. Development of skills needed for the modern economy start from early childhood.

Followed by a sustained investment in the professional development of teachers

High quality student learning is dependent on high quality teaching. However, investments in the quality of teachers have been small, 'ad hoc' and largely donor funded. In 2018, the non-wage recurrent budget was less than 20% of the total education budget, leaving little money for investing in the quality of teachers.



3. Equity-based Resource Allocation

No country can achieve universal basic education and high levels of learning without providing quality education for all segments of the population. Education data shows that children from poor families in remote and rural areas, non-Lao speaking households, older girls, and those with disabilities have lower access to education across all levels. Targeted interventions to meet their learning needs are crucial to bring about inclusive growth and ensure no child is left behind.

³ (UNICEF, 2011)



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