



POLICY BRIEF

Education Finance in Asia-Pacific

This policy brief addresses three main questions: (i) What are the **key issues and challenges** for education finance in Asia-Pacific; (ii) what has been the **impact of COVID-19** on education finance? ; and (iii) what are the **priority areas for action**?

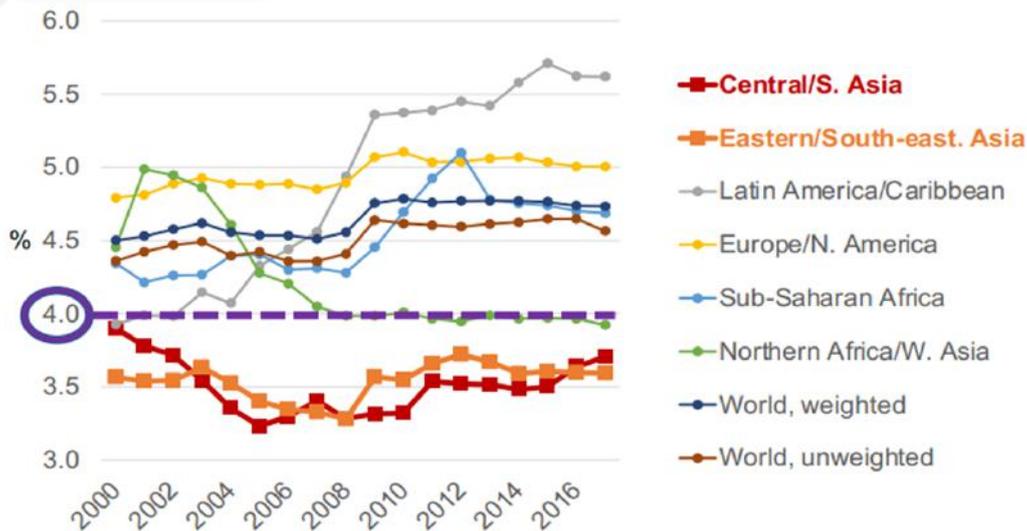
Key issues and challenges for Education Finance in Asia-Pacific

Low and stagnating public social sector expenditures. Between 2000 and 2019 Asia-Pacific exhibited wide variation in social sector spending, with many countries lagging well behind recommended expenditure benchmarks. Pre-COVID only 38.9 per cent of the region's population had access to at least one level of social protection and in some countries this was even lower e.g. India (19 per cent) and Bangladesh (28.4 per cent) (ILO, 2017). In 2019 only 5 of 35 countries recorded expenditure on health exceeding 4 per cent of GDP and many were even below 2 per cent (ADB, 2021).

Public education spending failing to meet minimum benchmarks. The Education 2030 Framework for Action recommends that at least 4 – 6 per cent of GDP and/or at least 15 – 20 per cent of total public expenditure should go to education (UNESCO, 2015). But Asia-Pacific sub-regional averages have consistently been below the minimum benchmarks and other regions of the world (Figure 1). Only a small minority of countries in Asia-Pacific managed to achieve both of the minimum expenditure benchmarks by 2019. Meeting both benchmarks is more challenging where government expenditure represents a less

significant proportion of the nation's GDP. In Bangladesh for example, almost 15 per cent of government expenditure goes towards education, similar to that of Nepal, however in Nepal this equates to more than 5 per cent of GDP compared to approximately 2 per cent of GDP in Bangladesh (UNESCO and UNICEF, 2021).

Figure 1: Regional and global trends in public education expenditure as a percentage of GDP



Source: (UNESCO, 2021)

Public education expenditure is often inequitable. In addition to being low, public education expenditure is generally inequitable, with countries often under-investing in pre-primary education and, relatively, over-investing in tertiary education. The average low income country spends 18 times more on a tertiary level student as it does on a pre-primary or primary level student (UNESCO, 2021). Such spending practices combined with inequitable access to higher levels of education mean that the children from the wealthiest households absorb a disproportionate amount of public spending on education. In the Philippines and Bangladesh, for example, children from the wealthiest fifth of households absorb approximately 25 per cent of public education spending compared to the 15 percent absorbed by children from the poorest fifth of households (UNICEF, 2020).

Public education expenditure is inefficient and not leading to desired results. Such inequitable spending, where the poorest children are least likely to benefit from public expenditure, often contributes to inefficient spending, as the limited resources are not targeted to those students or levels of education that need them most. As a result, current education spending is not leading to the expected results with approximately half of all children in the region still failing to complete upper secondary school, and the equity gaps between the bottom 20 per cent and the rest of the population not narrowing (ADB, 2021). In some countries education investments are leading to desired learning outcomes e.g. in Australia and Singapore more than 90 per cent of Grade 2/3 students reach minimum

proficiency in reading, but in many more countries the effectiveness of the education spending is low e.g. in Afghanistan and Pakistan fewer than one out of four Grade 2/3 students reach minimum proficiency levels in reading (UIS, 2022). Decreasing youth labor force participation rates in the region, especially in Eastern and Southern Asia (ILO, 2020), potentially indicate further inefficiencies of the region's education systems i.e. that they are failing to adequately develop the skills required and prepare youth for current labor markets.

Timely and comprehensive education expenditure data is lacking. In order to address the inequalities and inefficiencies in education expenditure it is crucial that timely and detailed information on spending is available. However, in Asia-Pacific this is far from the case with even the most basic of indicators, e.g. total government expenditure on education, only available after significant time lags and even then only in a minority of contexts. By the end of 2021 this expenditure data from 2020 was not available for any country in the region and data for 2017 was only available in 44 per cent of countries. Information on spending by level of education for 2017 was complete in only 17 per cent of countries in the region¹. Households represent significant sources of financing of education, especially in low income countries where they account for 38 percent of all education expenditure (World Bank and UNESCO, 2021), however only one country in the region has household education expenditure data more recent than 2017.

Impact of COVID-19 on Education Finance

COVID-19 has reduced the fiscal space for education finance. The economic losses in Developing Asia due to COVID-19 are estimated to have been 7.8 per cent of GDP in 2020 and 4.9 of GDP in 2021, with Central Asia and South Asia hit hardest (ADB Institute, 2021). Government revenues in Emerging and Developing Asia reduced from over 25 per cent of GDP pre-COVID to 23.3 per cent in 2020 and 24.5 per cent in 2021. Government expenditures spiked in 2020 in response to the pandemic, but are predicted to steadily decline until 2025 (UNICEF, 2022). The increases in government expenditure have generally focused on health and social protection, and the projected decreases in government spending will threaten spending across the social sectors with education spending most at risk (UNICEF, 2022). In Asia-Pacific only 0.41 per cent of COVID-19 related stimulus packages went towards education (UNESCO, 2021).

The impact of COVID-19 has been inequitable and could lead to massive losses in earnings. By April 2021, schools in eight of the 46 countries in Asia-Pacific had been closed for a year or more and only three countries had not closed schools at all (ADB, 2021). The most common modality for remote learning in Asia-Pacific was online platforms, however they and other modalities employed e.g. television, paper-based materials etc. had large inequalities in terms of reach. Estimates of the effectiveness of remote learning compared to classroom learning ranged from an optimistic 88 per cent in high income countries and

¹ Authors calculations based on Education Finance Watch 2021 database. Countries with data on primary, secondary and tertiary level spending in the same year are considered as 'complete'

17 per cent in low income countries, to pessimistic estimates of 37 per cent in high income and 7 per cent in low income countries. In the pessimistic scenario this learning loss would translate into a loss of USD \$1,784.2 billion in aggregated lifetime earnings for Developing Asia countries (ADB, 2021). The World Bank estimated the loss for the entire East Asia and Pacific region at USD \$3.8 trillion (World Bank, 2020). The additional costs to address the impact of COVID-19 on education in the region represent an increase of 5-15 per cent of national education budgets required to achieve SDG 4 targets by 2030 (UNESCO and UNICEF, 2021)

Key priority areas for Education Finance

The priority areas for action to address these issues relating to education finance in Asia-Pacific are proposed below and based on the five recommendations of the background paper on Education Finance. The priority areas for action are categorized in line with the two main topics of the conference – a.) Learning recovery and b.) Transforming education and its systems.

The first recommendation relates to social services in general as the interventions necessary to support education participation and success among the most marginalized children and youth may not come from education or be financed by education budgets. In addition, the limited fiscal space of many governments in the region demands broader reforms for better social services investments for children.

1. Protect and expand investments in priority social services, especially for the most marginalized, to enhance human capital development

Learning recovery

- Prioritize the needs of children and youth, especially the most marginalized, in social sector spending
- Identify priority budget lines and ring-fence them from cuts
- Adopt the principle of cutting child-focused expenditures last, where cuts are unavoidable

Transforming education and its systems

- Use additional funds to finance child-focused investment plans addressing gaps in coverage of essential priority services
- Ensure sufficient resources are available at sub-national levels and are targeted towards the most disadvantaged areas
- Identify population groups most at risk to shocks (migrants, IDPs etc.), and ensure their inclusion within social protection systems

2. Mobilize timely and targeted investment in education to reduce long-term costs and inequitable impact of COVID-19 and to meet the renewed commitments of the Paris Declaration²

Learning recovery

- Position education at the center of national fiscal stimuli packages and annual budgets, alongside health, nutrition, social protection, and WASH.
- Include adequate investment in pre-primary education services in recovery plans
- Use innovative approaches to mobilize timely additional resources for education, especially in resource constrained contexts, e.g. mandatory corporate social responsibility, sin taxes, debt-for-education swaps etc.

Transforming education and its systems

- Improve the prioritization and targeted allocation of budgets within the education sector to support identified immediate, medium and long-term needs
- Advocate for greater external financial support for education while also linking debt relief to greater spending on education

3. Prioritize equity and efficiency in education spending, ensuring that all investments are inclusive and gender-responsive and made within a context of transparency and accountability

Learning recovery

- Identify children and youth who are currently excluded from existing services, and take short-term measures to reduce and eliminate exclusion
- Implement “quick wins” from existing reviews and analyses e.g. Education Public Expenditure Reviews, Auditor General’s reports etc. to improve accountability
- Consolidate fragmented areas of spending to eliminate wasteful and duplicative expenditures, including better linkages across levels of education
- Promote transparent results-based planning and monitoring through publishing plans and results in the public domain e.g. online.

Transforming education and its systems

- Reform public procurement to enhance the speed, transparency and overall value for money of public education spending
- Address inequity of public education spending by first prioritizing lower levels of education that target the most learners and have the greatest returns e.g. early childhood education and then gradually increasing investments in higher levels as more children and youth access them
- Use equity-based, pro-poor budget allocations to ensure that education expenditures reduce inequities e.g. Education Equity Index in Nepal
- Utilize an equity lens in long term planning and decision making and include activities that explicitly address existing inefficiencies and inequities e.g.

² [Paris Declaration: a Global Call for Investing in the Futures of Education](#) adopted by 53 countries at the Global Education Meeting, Paris, November 2021

using existing tools to develop gender-responsive education sector plans with development partners

- Improve the timeliness and quality of education expenditure data through greater transparency, using standardized tools and protocols and strengthening education modules in household expenditure surveys

4. Leverage new partnerships and innovations in teaching and learning, financing, planning and management including multi-sector service deliveries in schools, through a strong regulatory environment and good governance

Learning recovery

- Evaluate cost-effectiveness, especially for the most marginalized learners, of the innovative resources, learning materials, and modalities used to reach learners during the pandemic
- Explore potential new partnerships and avenues for additional technical and financial resources in education e.g. Microsoft's support to the Learning Passport
- Apply innovative approaches to planning, management and co-ordination e.g. Republic of Korea's national TVET Innovation plan³
- Expand and strengthen multi-sector service deliveries in schools including comprehensive school health that addresses mental health issues as a key aspect of children's well-being

Transforming education and its systems

- Explore innovative approaches to financing of education through non-traditional partners and equitable co-financing arrangements with the intended beneficiaries
- Scale-up the most-effective of the innovative resources, learning materials and modalities used to reach learners during the pandemic
- Enforce even-handed governance and regulation of education providers including in multi-stakeholder partnerships and commercial involvement in education
- Strengthen joint ministerial planning and cross-sectoral collaboration to ensure teachers and schools are suitably trained and resourced to provide additional social services

5. Invest in education and social protection systems' resilience to shocks and in their preparation and adaptation for climate change impacts

Learning recovery

- COVID - 19 response planning should include particular measures for those impacted by multiple shocks e.g. migrants, IDPs and refugee children.

³ Its development involved various ministries, schools, TVET institutions and the private sector. The plan places a focus on connecting educational institutions with local governments, industries etc. in order to facilitate access to TVET training and relevant jobs.

Transforming education and its systems

- Invest in systematic and regular diagnostics, such as hazard and conflict analyses, to identify future risks to delivering education and critically assess the education system's own risk management, mitigation and governance capacities
- Develop, resource and implement long-term emergency preparedness, risk-informed, planning, in coordination with disaster management authorities, ministries of finance, and other ministries
- Establish national climate funds e.g. Green Climate Funds in Republic of Korea and Viet Nam, to finance climate change adaptation and readiness in education e.g. green school buildings

Policy pointers summary table

Learning recovery – immediate and short-term actions

- Take immediate measures to identify the children most excluded from education and social services
- Plan measures to support children impacted by multiple factors (Covid-19, displacement, environmental shocks, ...)
- Prioritise and ringfence social spending on the most marginalized children and youth
- Give education priority in post-Covid-19 stimulus packages
- Develop new partnerships for learning recovery
- Expand support for health/mental health in schools
- Mobilise additional funds from new sources

Education system transformation – medium to long-term actions

- Target social services to the most disadvantaged areas
- Scale up the most effective interventions developed as part of Covid-19 responses
- Promote cross-sectoral collaboration for training teachers to provide additional social services
- Use equity-based, pro-poor and gender-responsive principles for budget allocations
- Advocate for greater external support for education
- Make budgeting and procurement transparent, with value for money
- Eliminate waste and duplication of expenditure
- Produce timely and detailed information on education spending
- Undertake risk assessments to prepare for future emergencies
- Establish national climate funds to finance climate change adaptation and preparedness in education

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The Global Education 2030 Agenda

UNESCO, as the United Nations' specialized agency for education, is entrusted to lead and coordinate the Education 2030 Agenda, which is part of a global movement to eradicate poverty through 17 Sustainable Development Goals by 2030. Education, essential to achieve all of these goals, has its own dedicated Goal 4, which aims to *"ensure inclusive and equitable quality education and promote lifelong learning opportunities for all."* The Education 2030 Framework for Action provides guidance for the implementation of this ambitious goal and commitments.



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