COST AND FINANCING OF EDUCATION AND ITS IMPACT ON COVERAGE AND QUALITY OF SERVICES AND EFFICIENCY AND EQUITY IN SUB-SAHARAN AFRICAN COUNTRIES

Alain Mingat

Introduction

In education, two very popular (but not necessarily true) statements are (1) “if you think that education is expensive, try ignorance,” and (2) “people say that money is the problem, while in fact it is the solution.” We will not examine right away the validity of these statements; however, right, dangerous or wrong they may be. However, they manifest that the amount of financial resources a system of education can mobilize is a crucial element of any education policy. Sometimes the relationship starts from the policies that have been identified as desirable but they also need to pass the test of their financing; but more often, the relationship goes the other way round with the identification of the “best” tradeoffs that need to made between desirable objectives and inputs within a given and exogenous financial constraint.

In this chapter, we take mostly an international comparative perspective limited to Sub-Saharan African countries. First, we analyze first the macro picture and the public finance dimension, analyzing the systemic choices made in the distribution of public resources across levels and types of education. Second, we move to unit cost estimates and the factors accounting for their level in a given country and to their variation across the different countries of the region. Finally, we examine the implication of the choices made in the financial dimension upon outcomes (coverage and quality of educational services), bringing issues of efficiency and equity into the analysis.¹

The Macro Picture

The resources that can be mobilized for a system of schooling in these countries come generally from three sources: domestic resources that are split between public and private origins, and external aid resources, as loans (generally soft loans for low income – IDA – countries) and grants. Information is generally available for both domestic public
resources and external aid, but private spending (households’ contribution to the financing of educational services) is less well documented. We analyze mostly the domestic public resources which in all cases represent a large share of total resources for the sector, but we will also touch on briefly the other two sources of funding.

**Domestic Public Resources for Education**

It is clear that all domestic resources for the sector come from the national product (GNP) of the country. The route goes (1) from the GNP to the amount of resources appropriated by the State to finance public action through various types of taxes (TPRES) and (2) from that global amount of public resources to those that are allocated to the sector as a whole (EDRES) (to finance, or to contribute to the financing of, recurrent and capital expenditure at all levels of schooling during a given year). Therefore, the larger the GDP of a country, the larger its capacity to levy taxes and the larger the public finance priority given to the sector within its different claims, and the larger are the public resources that can be used to finance educational services. This pattern can be represented as follows:

\[
\text{TPRES} = \alpha \cdot \text{GDP} \\
\text{EDRES} = \beta \cdot \text{TPRES} \quad [\text{EDRES} = \alpha \cdot \beta \cdot \text{GDP}].
\]

We focus first on the amount of public spending on education as a share of GDP. According to the most recent UNESCO data, this is on average 3.7% in low income Sub-Saharan African countries, a figure very close to that observed in low income countries elsewhere in the world. This figure is considerably smaller than that reported average for middle income countries which stands at 4.8% (5.0% for such countries in Sub-Saharan Africa), and even smaller than that for OECD countries (5.7%).

This statistic (EDRES) is sometimes named the “national public effort” of a country for education. The name is in fact inappropriate, or misleading, since it conveys the idea that its numerical value is essentially a matter of choice; with the possible judgment that countries that are lagging behind on this count are possibly making less effort for the education of their youth. The reason why the term is inappropriate lies in the fact that if \( \beta \) (in the relationship above) is effectively a matter of choice (describing a public finance priority of the country for the sector), this is much less the case for \( \alpha \) which describes mostly an economic constraint.

The reason, why low income countries spend on average a proportion of their GDP on education which is less than that of countries at a higher level of economic development is not because they give a lesser priority to the sector; it is because their fiscal capacity is on average much lower. In fact low income countries allocate about 18.5% of their national public resources to education, a figure higher than that observed in middle income countries (17.1%) while the figure for OECD countries is on average only 13.5%. In this context low income countries of the region give an even larger priority to education than their counterparts elsewhere in the world. To sum up, it can be said that low income countries in Sub-Saharan Africa give on average a high priority to education, but that the narrowness of the fiscal basis