

Interactive webinar:

# Decolonising Education Financing with David Archer

Date: 3 May 2023 | Time: 15:00-17:00 CET

## Languages

In English with  
almost all  
languages available  
with subtitles

The webinar is for GCE, ENACE and RECI members only

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# **DECOLONISING THE FINANCING OF EDUCATION**

**David Archer  
April 2023**

# The crisis in financing education

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There has been a chronic underfunding of public education for decades which means continuing violations of the right to education and a failure to achieve global goals. The latest GEM Report estimates a \$100 billion annual gap.

Domestic Resource Mobilisation makes up 97% of the financing for education. Yet most global attention to education financing focuses on the 3% in aid and loans.

We often assume that national governments everywhere are in control of the financing that they commit to education: that if we can make the case for education compelling enough we can convince Ministers of Finance and Heads of State to finance education at the level that is needed to transform public education systems. **BUT IT IS NOT SO SIMPLE!**

# The bigger picture

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The global economic architecture, forged after the Second World War, with institutions like the International Monetary Fund and the World Bank, can massively influence the financing that governments can dedicate to education.

The IMF does a six-monthly assessment of the economic health of every country, making projections and recommendations. Rich countries can afford to ignore this, but many other countries find that if they ignore the IMF advice their capacity to attract foreign investment is diminished.

Despite some shift in global rhetoric the IMF policy advice is little changed over the past 40 years. Any country with a deficit or facing even moderate levels of external debt, is advised to pursue austerity policies, cutting public spending.

# Austerity, wage bills and **act:onaid** PPPs

Education is one of the largest spending items in any government budget, so education suffers significantly from austerity and overall public spending constraints.

IMF advice is often even more specific, suggesting cuts or freezes to public sector wage bills – and teachers are the largest group on the wage bill so again, education suffers. There is no money to pay for more teachers (even if there are shortages) and no money to pay teachers more (even if they are underpaid).

At the same time, both the IMF and World Bank offer advice about creating a conducive business environment and opening up countries to the global economy, encouraging privatisation and public-private partnerships - which also impact on approaches to education.

# Neo-Colonial power dynamics

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It is hard to change IMF policies and guidelines: for anything fundamental you need an 85% majority vote. But as the largest shareholder, the US has over 15% of the votes, giving it an effective veto.

These voting rules were set before most African countries achieved independence. They are a legacy of a colonial era and ensure the wealthiest countries retain the power to shape the economies of low- and middle-income countries.

The impact of this neo-colonial power dynamic is dramatic in framing the financing available for education in many low- and middle-income countries – and can even frame the mindset around education financing in high-income countries.

# Global power dynamics and tax

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Tax is the main source of revenue for financing education. But the OECD – the club of rich nations - has been responsible for setting global tax rules for the past 60 years.

The global order on tax sees vast sums of money leaving low- and middle-income countries and accumulating in tax havens. Multinational companies use transfer pricing, tax loopholes and tax treaties from the colonial era to avoid tax.

Illicit financial flows out of Africa far exceed the revenues arriving in aid. The Mbeki panel estimated \$50 billion a year – probably double that now.

How can you finance education if the wealthiest companies and individuals avoid paying tax? It is even worse if the biggest companies are given tax incentives by governments!

WE NEED MORE FUNDS FOR EDUCATION

I AM SORRY... BUT WE ARE CASH-STRAPPED!



Min. of Education

Min. of Finance

TAX INCENTIVES

MULTINATIONAL CORPORATION

Mdogo





# Domestic tax and education

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Low-income countries have an average tax-to-GDP ratio of 16%, whereas middle-income countries are nearer to 30% and high income countries often 40% or more. Nigeria and Pakistan, the two countries with most children out of school have tax-to-GDP ratios under 10%.

A key IMF analysis on how to finance the SDGs showed that most countries could expand tax-to-GDP ratios by five percentage points by 2030 (so from 16% to 21% for LICs). This would allow a doubling of spending on education *and* health (and also social protection in most countries).

But, this almost never forms part of the IMF advice at country level - and where IMF advice is offered they tend to support regressive taxes like VAT that pass the burden on the poor – not progressive taxes to target the rich.

# Power dynamics around aid

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The Paris 'aid effectiveness' agenda seemed revolutionary – calling for harmonisation of aid behind government plans to replace the nightmare scenario e.g. in Tanzania where the Ministry of Education used to produce hundreds of donor reports and accounts in different formats every year.

This has led donors to work together in consortiums/coordination groups (like the GPE's Local Education Groups). But this has unintended consequences. Donors have a greater collective power over Ministries of Education than ever before.

Most government spending barely covers teacher salaries (which make up 75%-95% of education budgets), so donor funding, though small in comparison, can be very powerful. What donor consortiums are willing to fund can profoundly shape the direction of education reform.

# Whose knowledge counts? **act:onaid**

. Education reform, used to be something discussed publicly in parliaments, dependent on passing new legislation. It would form key parts of political party manifestos, discussed with the public, analysed in the national media...

Too often now, education reform has become dependent on a 3 or 4 year donor-funded project, based on the interests of a handful of powerful donors, agreed behind relatively closed doors (with *some*, but often limited CSO engagement).

The Minister of Education is outnumbered by donors who may know little about the country context but argue they have superior knowledge. The World Bank positions itself as a 'knowledge bank' on education, denying it has any ideological agenda. Almost all Privatisation and PPP programmes in education are donor-funded.

# So, what is decolonisation?

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Decolonisation of education financing is about challenging **all** the distorted power dynamics outlined above. It is about:

- Challenging the cult of austerity that drives the IMF – which shapes the financing available for education.
- Changing how global tax policies are set and arguing for ambitious and progressive domestic tax reforms.
- Demanding global action on debt – wherever countries are spending more on debt servicing than they do on education and health.
- Revisiting power dynamics in national education reform processes to ensure national governments in consultation with their own citizens, shape the direction of reform.

# Seeds of hope: TES

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The Sept 2022 Heads of State Transforming Education Summit (TES) laid the foundation for decolonisation – see the [Call to Action on Education Finance](#). This includes:

**ACTION ON TAX:** Increase tax-to-GDP ratios through progressive tax reforms. And change how global rules are set!

**ACTION ON AUSTERITY:** IMF austerity policies and public sector wage bill containment are the biggest block on teacher salaries and recruitment! Change the advice!

**ACTION ON DEBT:** countries spending more in debt servicing than on education should be front of queue for debt cancellation / renegotiations. New mechanisms needed!

**ACTION ON PARADIGMS:** so Ministries of Finance see education as investment not consumption.

**ACTION ON SPECIAL DRAWING RIGHTS:** A new issuing of the IMF currency as was done during Covid + redistribution.

# The 4 S Agenda from TES **actionaid**

The **Transforming Education Summit** reinforced the importance of increasing financing for education based on **increasing 4 Ss**:

- The **Share** of national budgets dedicated to education (at least 15-20%)
- The **Size** of government budgets overall (determined by tax, debt, macro-policies, trade etc)
- The **Sensitivity** of education budget allocations – driven by an evidence-based approach to equity and efficiency
- The **Scrutiny** of education spending in practice – so resources are tracked especially in the most disadvantaged communities, data quality is improved and the capacity to use data is enhanced

*(see new edition of Financing Matters coming soon)*

# OTHER SEEDS OF HOPE **act:onaid**

In late 2022 the UN General Assembly voted to take the lead responsibility for setting global tax rules away from the OECD to the UN itself. This was proposed by African Ministers of Finance and was voted through despite massive lobbying / bullying efforts by the OECD.

Pressure for governance reform of the IMF and World Bank is growing. The present 'evolution roadmap' falls short and there are growing calls for more fundamental change.

Climate justice movements recognise that debt is an accelerator of the climate crisis - yet 93% of the most climate-vulnerable countries are at significant risk of debt distress. The Global North cannot pay its climate debt to the Global South through loans that will further indebt countries!

# CONCLUSION

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The Global Campaign for Education Global Action Week in 2023 is perfectly timed – building on the momentum from the Transforming Education Summit to call for decolonising of education financing.

We need education campaigners to join forces with tax, debt and anti-austerity movements (see TaxEd Alliance)– and to find common cause with those working on other public services – as started to happen in [Our Future is Public](#) in Chile in 2022.

To decolonise education financing, education campaigners need to get out of the education bubble and take the case for transformative action to Heads of State and Ministers of Finance. We need to address the structural causes of the chronic underfunding of education - that lie in distorted power dynamics nationally and internationally.