GPE’s Engagement on Domestic Financing for Education

Highlights

- Between 2015 and 2030, lower middle-income countries will need to increase public spending on education from the current US$1 trillion per year to US$2.7 trillion.

- The 2015 Incheon Declaration recommends that national governments allocate 4 to 6 percent of their gross domestic product (GDP) and/or at least 15 to 20 percent of their total public expenditure to education, with a focus on basic education.

- GPE creates incentives for developing country partners (DCPs) to develop financially sustainable education sector plans (ESPs), increase national budget allocations, and improve the quality of education expenditure.

- On average, between 2002 and 2016, DCPs increased domestic expenditure on education as a percentage of total government expenditure from 14.9 percent to 16.9 percent, and expenditure as a percentage of GDP from 2.8 percent to 3.5 percent.

- In 2016, where data are available, 79 percent of GPE’s DCPs including 63 percent of countries affected by fragility and conflicts spent at least 20 percent of total government expenditure on education, or increased their public expenditure on education as a percentage of total public expenditure.

- Harmonization of data collection systems with the integration of GPE Indicator 10 into UIS processes for monitoring of government expenditure on education.

1. Introduction

The Global Partnership for Education (GPE) is a global, multi-stakeholder partnership that seeks to strengthen education systems in lower middle-income countries and in countries affected by fragility and conflict to ensure equitable, quality education for all. GPE plays a unique role in helping governments to develop and finance the implementation of strong ESPs that further equity and learning. GPE leverages the financial support and expertise of donors, developing country governments, international organizations, civil society, teacher organizations, the private sector, and philanthropy to ensure the delivery of results. As of May 2018, GPE has allocated US$4.8 billion to DCPs in grant funding since 2002.

GPE creates incentives for DCPs to prepare financially sustainable ESPs, increase national budget allocations, and improve the quality of education expenditure. It also supports countries in improving financial management and monitoring spending.

Adequate financial investment in the recurrent and capital costs of basic inputs and processes (teacher
Education, salaries, school infrastructure, curriculum reform, learning materials, etc.) and the effective use of this investment are critical to achieving Sustainable Development Goal 4 (SDG 4) on quality education: “Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.”

Investment in education has often been inadequate and inefficient at both domestic and international levels. The International Commission on Financing Global Education Opportunity estimates that low- and middle-income countries will be required to more than double their annual public spending on education from US$1 trillion per year in 2015 to US$2.7 trillion in 2030 (from US$13 billion in 2015 to US$50 billion in 2030 for low-income countries), to meet educational needs at pre-primary, primary, secondary, and post-secondary levels by 2030.

While external aid plays an important role in filling the funding gap, domestic resource mobilization is by far the most important source of financing for basic education. Tapping into domestic revenues to finance education provides governments with greater predictability and sustainability in financing planned reforms. Since 2000, a positive trend has been observed in developing economies, where total government expenditure as a percentage of GDP increased from 24.6% in 2016.

Building on previous international and regional benchmarks set by the High-Level Group on Education for All goals, the Education for All—Fast Track Initiative (FTI, which became GPE in 2011) was formed in 2002 as the first global compact for education, to ensure that any country with a sound ESP and the willingness to commit domestic resources to the sector would be met with donor funding to assist in filling the financing gap. For the first time within the global development community, a benchmark for domestic financing was established by the FTI framework, recommending that 20 percent of the total recurrent budget be allocated to expenditure on education.

GPE’s strategic plan for 2012–2015 maintained a focus on increasing the volume, effectiveness, and equitable allocation of both domestic and external financing. GPE 2020, GPE’s strategic plan for 2016–2020, explicitly articulates the objective of mobilizing both more and better financing for effective and efficient education systems delivering equitable and quality education services for all; this includes a heightened focus on the role of domestic financing.

Several indicators in the GPE 2020 results framework (see Box 1) monitor the partnership’s support to domestic financing. Under Indicator 10, the partnership monitors spending on education by DCP governments as they progress toward the benchmark of 20 percent of total public expenditure. Indicator 14 is used to measure improvements in finance data availability for sector planning and international comparison. Indicator 31 tracks Secretariat staff technical support and engagement with policy dialogue on domestic financing at the country level.

GPE’s results-based funding model, adopted in 2014, leverages GPE grant funding to increase domestic financing for education. To receive the first 70 percent of a GPE program implementation grant, DCP applicants must meet several key requirements, including a commitment to provide adequate and sustainable financing.

1 The International Commission on Financing Global Education Opportunity is a major new global initiative engaging world leaders, policymakers, and researchers to develop a renewed and compelling investment case and financing pathway for achieving equal educational opportunities for children and young people.


4 International Monetary Fund, World Economic Outlook Database, April 2017 edition. The database was consulted in November 2017. General government total expenditure (percent of GDP) consists of total expense and the net acquisition of nonfinancial assets.

for the ESP, GPE seeks government commitment to progressively increase the domestic budget allocation for education to 20 percent of the total national budget. In countries where 20 percent or more of domestic resources are allocated to education, GPE seeks commitment to at least maintain current levels. If the country has not reached universal primary education, GPE seeks an additional commitment to allocate at least 45 percent of the education budget to primary education. Under the funding model, disbursement of the remaining 30 percent of the GPE country allocation is linked to demonstrated progress toward sector results, which are typically strongly tied to gains in efficiency.6

As part of its funding model to incentivize governments to increase budget allocations for education, GPE promotes an approach that strengthens the entire education system and supports DCPs as they improve domestic financing through the following interrelated mechanisms:

1. Strengthening education systems, including support for the development of financially sound sector plans that account for external and domestic resources available for both recurrent and capital expenditures.

2. Mobilizing more and better financing to maximize impact and build stronger education systems.

3. Supporting mutual accountability through effective and inclusive policy dialogue and monitoring.
2. GPE Support to Improve Domestic Financing

2.1 EDUCATION SECTOR PLANNING AND RELIABLE SECTOR FINANCE DATA

Technical and financial support to produce quality ESPs that draw on reliable data are the foundation of the GPE operational model. As part of the GPE funding model, DCPs are incentivized to produce good quality ESPs, including a costed multiyear implementation plan. The ESP serves not only as an invaluable apparatus for country-level dialogue and coordination within the education sector but also as a means to integrate education within the larger national development plan and prioritize it within the national budget.

2.1.1 SUPPORTING FINANCIALLY SOUND EDUCATION SECTOR PLANS

Guidelines for ESP preparation and appraisal, created in cooperation with the UNESCO International Institute for Education Planning (IIEP), established a number of quality standards. Sustainability, achievability, financial soundness, and feasibility are key elements of quality ESPs. The plan is considered achievable when it includes an analysis of current financial trends, a budget framework, and thoughtful proposals for overcoming financial constraints that may hinder effective implementation. A financially sound and feasible ESP is required to include the following elements:

(a) Analysis of existing cost and financing, including current and historical trends in government, donor and, when possible, household spending on all sub-sectors and education levels.

(b) Financial simulation and budget projections to evaluate the feasibility of various policy reforms and programming options using basic parameters (population projection, education, cost, and macroeconomic development indicators). The projections also include the potential sources for financing (internal and external) for all budgeted programs.

In countries affected by fragility and conflict, where reliable financing data are limited but the need for funding is urgent, GPE supports the development of transitional education plans (TEPs) that are carefully costed for mobilizing resources quickly to fund priorities in the short and medium term. Where needed, GPE provides DCPs with ESP development grants (ESPDGs) of up to US$500,000 to develop quality ESPs/TEPs. Since 2012, GPE has approved US$21 million in plan development grants to over 60 countries.

2.1.2 IMPROVING THE AVAILABILITY OF RELIABLE SECTOR FINANCE DATA

GPE is dedicated to improving the availability of reliable domestic finance data for evidence-based policy dialogue and planning. Comprehensive education finance data are critical if governments are to understand how funds are disbursed and used to achieve national policy goals and to measure progress against SDG 4.

Governments face many challenges in collecting and reporting reliable and accurate finance data because of the complexity of financial flows. Multiple institutions serve as both sources of funding and spending agents. Other challenges include incompatibility of indicator definitions and ineffective compilation and presentation of information for policy decision-making.

Consequently, the UNESCO Institute for Statistics (UIS), the body with an official mandate to produce internationally comparable education data, faces multiple challenges in compiling consistent and accurate finance data across countries. For instance, UIS can only report data on education expenditure as a percentage of total

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BOX 2. NIGER: AN EDUCATION SECTOR PLAN AS INSTRUMENT TO GARNER NATIONAL COMMITMENT TO INCREASING DOMESTIC FINANCING FOR EDUCATION

One of the first countries to join GPE in 2002, Niger has sustained its commitment to improving access to education despite significant political instability, recurrent droughts, and security issues arising from conflicts in neighboring countries. Between 2002 and 2014, the government of Niger increased education expenditure from 16.7 percent of the total public expenditure to 21.7 percent. During this period, education expenditure as a proportion of GDP also increased from 3.1 percent to 6.8 percent (UIS).

In 2002, Niger committed to allocate at least 20 percent of its recurrent government budget to education with the development of a 10-year plan for education (Programme Décennal de Développement de l’Éducation 2003–2013), endorsed by the donor community for a grant from FTI.

The government of Niger renewed the commitment to financing the sector in 2011 and announced that the budget allocation for education would increase to 25 percent within the next five years. With support from a GPE education sector plan development grant, all ministries with education sector activities jointly developed the first sectorwide education plan (Plan Sectoriel de l’Éducation et de la Formation 2014–2024), endorsed by the development partners. Increased domestic financing for education has enabled Niger to considerably increase gross enrollment rates in primary schools from 40.1 percent in 2002 to 72.5 percent in 2015 (UIS database as of December 2017).

government expenditure for about one-third of GPE DCPs for the 2012–2014 period.8

GPE is supporting UIS’s efforts to make reliable and timely data available for national and global planning efforts. The results-based funding model requires governments to develop plans and capacities to improve reporting of critical sector data to UIS for global monitoring of progress in education. The partnership aims to increase the proportion of countries that report at least 10 of the 12 key international indicators to UIS from an overall of 30 percent at present to 66 percent in 2020. For countries affected by fragility and conflict, GPE aims to increase the proportion from 32 percent at present to 54 percent in 2020. Out of the 12 key finance indicators reported to UIS, three are specifically related to education financing namely: (a) public expenditure on education as a percentage of GDP, (b) public expenditure on education as a percentage of total public expenditure, and (c) education expenditure on primary education as a percentage of total education expenditure.

Since 2013, GPE’s Global and Regional Activities (GRA) program has provided US$2.1 million in funding to UIS, IIEP, and the IIEP Pôle de Dakar to implement a collaborative project aimed at improving national reporting systems on education finance flows, based on the national education accounts (NEA) methodology. The NEA is a comprehensive approach to education finance data collection, processing, and analysis. It involves mapping all sources of education funding (government, private, household, and external),

8 As of November 2017, 23 out of 65 countries had available data on UIS for the indicator on education expenditure as a percentage of total government expenditure for all three consecutive years 2012, 2013 and 2014.
spending (public and private providers, regions, etc.), and economic transactions (salaries, teaching materials, infrastructure, etc.) to produce a coherent information framework for education financing.

Data on sources of financing and their use enable analysis of the link between spending and educational outcomes. Mapping resource flows through the education system is also essential to identify waste and misallocation of funds, and helps to better direct resources to policy objectives and monitor progress toward SDG 4. Data on financial resource flows are critical for developing mechanisms to improve education system efficiencies.

The project has supported eight GPE DCPs in setting up national education accounts as information systems, collecting and analyzing education expenditure using a common methodology. The aim is both to inform sector planning and to allow for regular reporting at the

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**BOX 3. NEPAL: A COMPREHENSIVE APPROACH FOR NATIONAL EDUCATION ACCOUNTS**

The national education accounts (NEA) exercise in Nepal helped the government to build a comprehensive understanding of the flow of education financing from various sources to the education providers, and also to estimate costs per student at all levels of the education system. With technical support and guidance from UIS and IIEP, the exercise was conducted by the National Technical Committee, led by the Ministry of Education (MoE) in collaboration with other concerned ministries and the Central Bureau of Statistics (CBS). The pilot exercise covered the fiscal years 2009 to 2015, and the methodology enables the MoE and CBS to produce similar data annually.

Within the analysis period, government expenditure on education ranged from 16 to 19 percent of the total government expenditure; as a percentage of GDP, government education expenditure ranged from 3.9 to 4.3 percent.

The exercise revealed critical policy insights about the sources of financing in the education sector, including the following:

1. Parents are the main funding partners of the government, accounting for the largest share of expenditure at 48.8 percent in 2014–2015. Government contributed 42.7 percent of spending across the education sector. Household funds were spent primarily on fees at private schools, especially at upper secondary and tertiary levels.

2. The government budget is still the largest financing source for primary education at 62.3 percent of total expenditures; at upper secondary and tertiary education levels, government finances 18.2 percent and 19.7 percent, respectively.

3. The share of external funding for education, which includes financing from nongovernmental organizations, has decreased from 12.7 percent in 2009–2010 to 6.8 percent in 2014–2015.

Through this exercise, Nepal gained beneficial information and could better align financing with national education strategies and gauge progress against other countries. Policymakers, planners, implementers, and academics will use the findings to formulate an education financing policy for Nepal within the School Sector Development Plan and higher education plan.

national and international levels. The NEA project has focused on areas where there is limited data coverage in specific countries, as follows:

- Full NEA: Nepal and Uganda
- Allocation of resources within the system: Guinea and Zimbabwe
- Household expenditures: Côte d’Ivoire and Vietnam
- External resources: Lao PDR and Senegal

2.2 MOBILIZING MORE AND BETTER FINANCING

Achieving the SDG 4 targets for inclusive and equitable education for all requires sustainable investment that increases and maintains adequate financing, and that is used in the most effective manner while maximizing efficiency. GPE plays a catalytic role in driving greater focus on domestic expenditures on education. It supports increased domestic budget allocation and spending for education while also improving sector financial management.

After the endorsement of an ESP, DCPs have the option to apply for education sector program implementation grants (ESPIGs) to finance programs laid out in the ESP. Through 138 program implementation grants, GPE has allocated almost US$4.8 billion since 2002. ESPIG applications require clear evidence on the additionality of GPE funds beyond projected domestic financing by the government and from other external donors. Under the current funding model, GPE also uses the ESPIG as an incentive for governments to increase and sustain budget allocations to the education sector. The variable part of the funding model further targets the government’s internal efficiency, maximizing the use of system resources that are available for education. Efficient use of financial resources can encourage investment in education from both domestic and international sources. A wide range of financial management activities are funded through ESPIGs—for example, aligning education budgets to the national medium-term budget frameworks, conducting public expenditure tracking surveys, establishing transparent procurement systems, capacity building for school grants management, and improving teacher payroll systems.

2.3 SUPPORTING MUTUAL ACCOUNTABILITY

The partnership is committed to upholding the principle of mutual accountability; therefore, it promotes coordinated monitoring and transparency around domestic financing at the country level. GPE promotes a multisector approach to monitoring government spending on education and advocacy to improve financing.

BOX 4. BURUNDI: JOINT SECTOR REVIEW FOR SECTOR FINANCE ANALYSIS

In 2011, while preparing to join GPE and access additional funding, Burundi undertook its first JSR in over three years. This enabled a joint review, by ministries and development partners, of the status of education in Burundi and the development of the sector planning schedule for the year. The JSR focused on the progress made toward the operationalization and financing of the draft education sector plan (Plan Sectoriel de Développement de l’Éducation et de la Formation, or PSDEF). It recommended concrete steps for updating the PSDEF and validation by the development partners for endorsement of Burundi to join GPE.

The JSR team used sector finance analysis conducted in the previous year to review the funding need and utilization at all levels of education, from pre-primary to higher education. It identified system inefficiencies, particularly at the primary level, as a major issue. The theoretical annual financial cost of repetition in Burundi was estimated to be between 25 and 35 percent of the total primary education budget. The JSR recommendations also highlighted the need to improve the availability, accuracy, and utilization of finance data for decision making to better link the expenditure with sector policies and priorities.
Support for joint sector reviews (JSRs) is a core component of the GPE operational model for enhancing inclusive and evidence-based monitoring of ESP implementation. A JSR is a periodic mechanism led by the government, inclusive of all stakeholders active in the development of the sector. Through local education groups (LEGs), GPE has actively supported DCPs in conducting JSRs as transparent forums that subscribe to the principles of mutual accountability. JSRs are critical instruments for contributing to more effective and inclusive policy dialogue; they provide an opportunity for the government and development partners to have an honest conversation about challenges and solutions in the sector.

A comprehensive inquiry into the use of financial resources is a crucial part of the JSR mechanism. A good-quality JSR is expected to monitor sector progress and performance and to provide an overview of financial allocation versus actual expenditure, which allows countries to draw lessons from sector plan implementation. Through the JSR, countries identify sector priorities for future planning and budgeting exercises. In fiscal year 2015, out of the 32 JSRs examined across GPE partner developing countries, 21 countries included a thorough review of sector financing. JSRs not only help with monitoring the implementation of the sector plan but also in building a case for continued investment at the national and global levels.

Through GPE support, national civil society education coalitions have also played a key role in lobbying and holding governments accountable for increasing education budgets and improving financial management. The Civil Society Education Fund (CSEF), managed and implemented by the Global Campaign for Education (GCE) and financed by GPE, has provided grants and capacity building to broad and representative national civil society education coalitions. Between 2012 and 2015, GPE provided US$19.5 million to the CSEF and has allocated an additional US$28.8 million for 2016 and 2018 to support 62 national civil society coalitions. The CSEF has supported and built the capacity of civil

### BOX 5. CIVIL SOCIETY ADVOCACY FOR INCREASING EDUCATION BUDGETS

The Civil Society Education Coalition in Malawi has been at the forefront of budget advocacy. Through active campaigning, the coalition contributed to education being included as a key priority in the national development framework for 2011–2016. Expenditure on education as a percentage of total government expenditure rose from 12.5 percent in 2010 to 21.6 percent in 2015. During the same period, education as a share of GDP increased from 3.5 percent to 5.6 percent, among the highest proportions in Sub-Saharan Africa.

In Bangladesh, the Campaign for Popular Education, a well-established civil society coalition, has actively advocated for increasing domestic resources for education. In 2015, it held public hearings to discuss the education budget with local communities. It also organized a policy dialogue forum on education financing, which brought together development partners, teacher associations, parliamentarians, ministers, and other influential public figures. The coalition has submitted an open appeal to the prime minister to ensure that the education budget is increased to 20 percent of the total government budget (from the current 13 percent) by 2021.

In Timor-Leste, the Coalition for Education has developed a major media campaign, in partnership with television and radio networks, to lobby for a significant increase in the education budget. The media campaign has focused on informing the Timorese people about the lack of basic inputs and low quality of education owing to insufficient government funding. Public expenditure on education in Timor-Leste has remained low (between 7 and 10 percent) and the coalition has urged the government to allocate at least 25 percent of the national budget to education.
society to participate in the development, monitoring, and evaluation of ESPs and policies, as well as to track education budgets and spending, conduct policy-oriented research, and strengthen citizen engagement and consensus-building processes around education sector dialogue.

Budget tracking is a central activity of most CSEF-supported national coalitions. It serves as a public accountability tool for monitoring government disbursements and expenditure, and for assessing whether resources are allocated and spent in line with budgets and plans. National education coalitions have used findings from budget-tracking activities to develop media campaigns, inform the general public, and engage with parliamentarians and ministries of finance to advocate increased and more equitable government financing and to improve governance and financial management in the education sector.

Through the CSEF, GCE and partners have also developed a domestic education financing toolkit⁹ for civil society, which focuses on increasing the share, size, sensitivity, and scrutiny of education financing. This tool draws on experiences of coalitions from around the world. Through the CSEF program, a community of practice on domestic financing for education is being established where coalition members can connect across countries to discuss current trends, share and exchange experiences and learning, and produce joint positions and plans.

3. Results in GPE Partner Countries

GPE’s commitment to improving domestic financing is evident in its country-level approach, and the operational design of its funding model. Consequently, since GPE’s inception in 2002, DCPs have made demonstrable progress toward reaching the education expenditure global benchmarks, namely, 4 to 6 percent of GDP and 15 to 20 percent of total public expenditure.¹⁰ Between 2002 and 2016, for countries where data are available in both years, the average percentage point increase in public expenditure in GPE developing country partners was higher than in low- and middle-income countries, both as a percentage of total expenditure and as a percentage of GDP (see Chart 1). Expenditure on education as a share of total public expenditure increased globally in low- and middle-income countries, on average, by 0.27 percentage points (from 15.5 to 15.7), while the average increase in GPE partner developing countries was 1.95 percentage points (from 14.9 to 16.9).

Average education expenditure as a percentage of GDP also increased by 0.63 percentage points in GPE DCPs compared to 0.13 percentage points globally in low- and middle-income countries.

Total school age population increased by 1.8% on average per year between 2002 and 2016 showing a pressure on the demand for education in GPE DCPs. Despite this demographic pressure, given the strong commitment to increasing domestic financing, overall government expenditure per school age individual doubled between 2002 and 2016, increasing from US$49 to US$100 between 2002 and 2016.

Recognizing the critical role of domestic resource mobilization, GPE’s second replenishment pledging conference in 2014 included DCP pledges to increase their commitment to domestic financing for education. GCE supported these efforts by providing national and regional civil society coalitions and networks with information, tools, materials, and capacity support to advocate for ambitious pledges by national governments. This contributed to GPE DCPs making unprecedented commitments to increase domestic funding over the replenishment period 2015–2018. 21 developing country governments pledged to increase or maintain education expenditure at or above 20 percent of the total public expenditure, while another five pledged to substantially increase their expenditure from existing levels.

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GPE’s replenishment campaign for 2018–2020 was an opportunity to raise the funds needed to implement GPE 2020 and to increase global education financing to ensure that the objectives of SDG 4 can be met. On February 1 and 2, 2018, the GPE Financing Conference took place in Dakar, Senegal, co-hosted by Macky Sall, President of Senegal, and Emmanuel Macron, President of France. At the event, donors pledged US$2.3 billion for the GPE fund, and DCPs pledged US$110 billion in domestic education spending for 2018–2020. Of the 53 governments who pledged at the conference, over two-thirds will have reached the goal of increasing their share of education spending to 20% of their overall budget by 2020.

In recognition of the importance of timely availability of financial data, the Board mandated the Secretariat to develop an indicator for measuring the proportion of DCPs that have secured sustainable levels of domestic financing for education at, or above, 20 percent of the national budget (see Box 6). This indicator is core to GPE’s corporate monitoring and evaluation framework and it informs Indicator 10 of GPE’s results framework, as discussed in Section 1. The 2016 and 2017 data collection exercise led by the Secretariat yielded substantial domestic financing information for 48 GPE partner countries and states, and highlighted opportunities for strengthened partnership between GPE and UIS. In support of global efforts to address education financing data gaps, the Secretariat conducted a study to compare both UIS and GPE indicator methodologies to assess the feasibility of greater collaboration between the two organizations. The study showed that the two organizations’ methods for calculating the perimeter of education expenditures (the numerator of Indicator 10) are broadly aligned, and it proposed a path forward to more effectively work together in support of generating more robust data on domestic financing.

CHART 1: AVERAGE PUBLIC EXPENDITURES ON EDUCATION, 2002 AND 2016

Note: *Change in education expenditure between 2002 and 2016. Data are available for a limited number of countries for both years. For % public expenditure in low- and middle-income countries: n = 80; GPE partner developing countries: n = 37. For % GDP low- and middle-income countries: n = 82; GPE partner developing countries: n = 39. p.p.: percentage points.
BOX 6. IMPROVING THE AVAILABILITY OF FINANCIAL DATA

Starting in 2015, the GPE Secretariat began collecting data on recurrent and capital education expenditure from all public entities, at all levels of education and at all levels of government (excluding government debt service). Data are collected directly from countries’ official budget documents—for example, budget books, budget reports, medium-term expenditure frameworks, financial reports, financial laws, annexes to budget speeches, etc.

This methodology estimates actual public spending on education, as opposed to budget allocations, from all ministries and levels of government that have education activities. The methodology also includes calculations for a proxy coefficient that estimates domestic spending for the latest fiscal year in cases where there is only parliament-voted budget data available rather than actual expenditure or an executed budget. The data are updated annually as the executed budget data become available.

Equation 1: Actual education expenditure as a proportion of total government spending

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\%\text{Edushare} = \frac{\sum_{m=1}^{M} \text{EdExp(Ministry)}_m + \sum_{l=1}^{L} \text{EdExp(local Gvt)}_l + SC}{\text{GovExp}} \times 100
\]

where:

- \( \text{EdExp(Ministry)}_m \) = Expenditure on education by a ministry, \( m \) (\( M \) total) (including ministries not directly in charge of the education sector)
- \( \text{EdExp(local Gvt)}_l \) = Expenditure on education by local government, \( l \) (\( L \) total), (if not captured in central ministry spending)
- \( SC \) = Employer’s contribution to non-salary social benefits (if not charged directly to the education ministry’s budget)
- \( \text{GovExp} \) = Total government expenditure in all sectors and at all levels of government (excluding debt service, interest, and principal payments)

Equation 2: Proxy education expenditure for the last executed fiscal year

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\text{Estimated } \%\text{EduShare}_n = \frac{(\text{Ed current execution rate}_n \times \text{Ed current budget}_n) + (\text{Ed capital execution rate}_n \times \text{Ed capital budget}_n)}{(\text{Gvt current execution rate}_n \times \text{Gvt current budget}_n) + (\text{Gvt capital execution rate}_n \times \text{Gvt capital budget}_n)} \times 100
\]

where:

- Execution rate = \( \frac{\text{Actual expenditure}}{\text{Budgeted expenditure}} \)

A key outcome of this process was an agreement signed between UIS and GPE in May 2017, which allows for the integration of data collection for Indicator 10 into UIS processes. The two methodologies are complementary: while the GPE approach allows for rapid data collection and processing, the UIS system has built-in quality control measures that allow for country-level validation prior to the release of information. As such, the harmonized GPE-UIS efforts are expected to significantly improve the timeliness, quality, and coverage of data on government expenditure on education.
Currently, the methodology is used by the Secretariat primarily as an input to GPE’s annual reporting against its results framework. In the future, however, it may also promote more robust policy dialogue by providing LEGs with a tractable approach to compilation and analysis of timely data for sector planning and monitoring.

The estimates from this exercise indicate that a majority of GPE countries spend at least 15 percent of their public expenditure on education. In fact, 21 countries (including 8 countries affected by fragility and conflict) spend more than 20 percent on education out of the total public expenditure (see Chart 2).

4. Conclusion

GPE’s focus on domestic financing and increased spending through financially sound sector plans, financial data availability, financial management, and monitoring has helped mobilize domestic resources across DCPs. UIS data demonstrate that the average share of government expenditure on education grew to 16.9 percent in 2016 in GPE developing country partners compared to 14.9 in 2002. It is expected that by 2020, 90% of GPE DCPs would have either increased their public expenditure on education or maintained their sector spending at 20% or above.

All countries, not just GPE DCPs, can learn from GPE mechanisms to support domestic finance. The guidelines and toolkits on domestic finance monitoring and planning developed by the Secretariat and partners serve as templates for further development and use by national governments to improve domestic finance management.

However, several countries are still far from reaching the internationally set minimum education expenditure benchmark of 15 percent. Efforts are required to support these countries in mobilizing sustainable domestic resources, including targeted taxation and innovative sources of financing.11, 12

Moreover, challenges remain in using allocated financial resources efficiently and effectively to meet sector goals. ESPs and aligned donor programs need to increase their focus on improving financial

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12 Amy Bellinger, Arushi Terway, and Nicholas Burnett, "Innovative Finance Recommendations: International Commission on Financing Global Education" (background paper prepared for the report The Learning Generation, Results for Development Institute, Washington, DC, 2016).

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CHART 2: NUMBER OF GPE DCPs BY LEVEL OF EDUCATION EXPENDITURE IN 2017

Source: GPE Secretariat estimates for Results Framework Indicator 10.
Note: For the year 2016, data were available for 47 partner developing countries, out of which 17 were countries affected by fragility and conflict. GPE Secretariat estimates are currently being cross-checked and are subject to changes. A few units in the sample include federal states counted as one GPE partner developing country.
management within the sector, especially on improving the efficiency and effectiveness of the utilization of finances. This is important to ensure equitable resource allocation in order to reach the most marginalized populations. Internationally comparable education finance indicators need to be further developed to capture the multiplicity of funding sources and spending entities active in education funding, and greater consideration should be given to measures of efficiency and effectiveness of the funding.

GPE 2020 reinforces the global focus on domestic financing and has initiated efforts to improve support to countries in financially sound sector planning, budget allocation, expenditure, and management. Future initiatives will build on current mechanisms, support countries with improved utilization of financial resources, and reduce waste and leakage of funds in the education sector. Learning from ongoing activities and future efforts in financing data collection and analysis, along with increased social accountability, will support DCPs to further improve education finance management and create better links between education spending and education outcomes.

Authors: Raphaëlle Martinez, Margaret Irving, and Arushi Terway under the technical leadership of Karen Mundy, Chief Technical Officer.

For more information please contact Raphaëlle Martinez at rmartinez3@globalpartnership.org