

THE 4 S FRAMEWORK FOR DOMESTIC FINANCING IN THE ARAB REGION

PRESENTATION NOTES FOR ACEA CONFERENCE, BEIRUT

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Why am I focusing on domestic resource mobilisation? The Education Commission estimates 97% of increased funding must come from domestic sources. In the region governments spend over \$100 billion (though it is hard to get a precise figure) but aid to education is just \$2 billion. At the GPE replenishment donors put in \$2.3bn but Developing Countries pledged \$30 bn. The big sustainable money for education is and always will be domestic!

BIGGEST CHALLENGES = DATA and WAR

Firstly, this region has crises and conflict, from Syria to Yemen, a huge challenge with education of refugees and a chronic ongoing violation of Palestinian rights. They say that ‘in every crisis, there is an opportunity’. Sadly, it is often the right wing who seize these opportunities and use crises to privatise services and undermine public education. We need to get better at seizing the moment to build for the first time, quality public services that are accountable and responsive and that are premised on education for freedom – education for the transformation of society. To build a positive vision we need to have a vision for how to finance this – and I hope this presentation can help to lay this out.

Secondly, the Arab region has the worst track record for recording data on education and on financing in general. But there is some data and it is important to know what to be looking for or what to be demanding of governments. We need to demand transparency as foundation for accountability – but what is the crucial data that we need? ActionAid has developed the 4S framework– based on the share, size, sensitivity and scrutiny of education budgets. This has been embedded in the GCE and EI toolkit ‘Financing Matters’ - and last week was picked up by Africa Union ministers of education. Let me share some observations on each of these 4 S’s in relation to the Arab region.

SHARE:

Our usual focus as education campaigners is on the share of budgets using two main indicators / benchmarks: 6% of GDP should be spent on education or 20%

of national budgets. These are referenced in the Incheon framework and GPE uses the share of budgets systematically – though there is a dispute over how to measure it (it should be before and not after debt servicing).

The GEM report shows ‘West Asia’ spending at 3.6% of GDP on education -less than the 4.1% spent in Sub Saharan Africa and the 4.7% global average. Lebanon is spending just 2.6% of GDP on education, Egypt 3.6%, Bahrain 2.6% and Mauritania 3.9% - all falling significantly short, as do most countries in the region

On % of national budgets there is a real problem of data – but Lebanon is at 8.6% - one of lowest in the world. Morocco and Tunisia spend around 17% - more acceptable but still low. Jordan is falling short at 13%, Oman is at 12% and Mauritania at 9%. In most countries in the Arab region there is a strong case for doubling national education spending as a share of the budget in order to meet international benchmarks.

One interesting contrast which we should always highlight is the share of national budgets spent on other things- especially on the military. Here the Arab region has poor track record. Saudi Arabia is one of highest – but also Iran, Iraq, Algeria, UAE, Kuwait and Bahrain spend a lot on the military. We should do what we can to track this – to document how many teachers and how many soldiers are employed! How much money on guns versus pens?

Another important element to look at in relation to share of budgets is debt servicing. How much money is lost from revenue by debt payments? In the case of Lebanon this is huge at 32%. There is a real case for debt cancellation or renegotiation. This is over three times more than spending on education!! In every country we need to track what government is spending to repay debts / fund the military and other items relative to what they spend on education – and you need to demand transparency of information on all of this!

SIZE

Share is important but even a fair share of a small pie is a small amount! We need to also look at the size of the pie- the size of government revenue overall. For this the tax base is key. One key indicator to use is the tax to GDP ratio – 20% is an accepted minimum for having a functioning ‘social state’ (according to Piketty) or a ‘development state’ (according to UNCTAD).

In OECD countries tax to GDP ratios are 30 to 40% and in Scandinavia nearer 50%. Within the Arab region Morocco and Jordan just get there at 22% and

21% but Lebanon has a 14.4% tax to GDP ratio and Algeria 7.7, Yemen 7.1, Sudan 6.3, Iran 6.1, Libya 2.7. Even Qatar is very low at 2.2% and Oman 2%. These rates of tax to GDP are no basis for building a viable social state that is able to deliver universal public services of decent quality. We need urgent action to expand the tax base.

How to increase tax base? Build a progressive system – those with money should pay more. The IMF push VAT which is highly regressive (the poor pay more as a % of their income). The biggest tax scandals in most countries involve the richest corporations and individuals not paying tax. Multinational companies often win tax incentives (and this is often linked to corruption) – which the IMF deem as harmful or unnecessary to attract foreign direct investment. Huge sums are lost – about \$138 billion a year by developing countries. Then there is aggressive tax avoidance as shown by Paradise and Panama papers- estimated at \$200bn a year – and individuals is another matter – exporting their wealth to tax havens esp the UK network of havens centred on the City of London. We need to challenge and expose this – hold MNCs to account and governments to account. Many countries could double their education budgets just by taking action on IMF defined harmful incentives. This is a crucial first step to build more effective and more progressive tax systems.

We need also look at **macro-economic policies** – are governments spending what they can or are they holding down deficits and targeting low inflation to keeping the IMF happy but impose austerity on their citizens. Education is one of the first budgets squeezed when governments impose austerity budgets – and this is madness because investing in education would be the key to increasing long term economic growth. This is short-termism gone mad.

SENSITIVITY

A good share of a good pie is a fair start but we also must look at the sensitivity of allocations within education budgets. Equity should be our major concern – targeting resources at the most disadvantaged as this guarantees system reform for all (as documented by Pasi Sahlberg).

In this region there are disadvantaged groups when it comes to education (e.g. girls, children with disabilities and pastoralists). There are continuing challenges in providing education in remote areas – but there are also new challenges of education for migrant workers and education for refugees and internally displaced people. Education budgets should disproportionately focus

on improving the education opportunities for these most disadvantaged groups – because the research shows that when you do this, everyone gains. At present, unfortunately, in low income countries 46% of education budgets benefits just 10% of the population – usually the elite who manage to navigate their way through to higher education. There needs to be a rebalancing.

SCRUTINY

Getting a good size budget that is sensitively allocated is of no use if it does not arrive in practice. Research shows that the most disadvantaged areas are those where education budgets are least likely to arrive – so we need to have much greater civil society scrutiny to make sure the funds arrive. This is tricky in a region where there is limited transparency in first place – but getting budget information is just a start – in most places it is convoluted / unclear and a key challenge is to simplify and demystify it, producing simple guides for how budgets are supposed to be spent from national through district to local and school level – and then tracking whether the money arrives. When it does not then action is needed, often to challenge corruption of district officials or head teachers.

Engaging citizens in scrutinising whether funds arrive in schools and are suitably used is a great starting point for deepening citizen engagement in all aspects of the budget process – so they can start to engage in local and national budget formulation processes and start building their own understanding of the share, size and sensitivity of spending. In the end the 4S framework is an interconnected agenda – and fundamental to mobilising citizens to hold their governments to account. A basic truth for all accountability work is follow the money!!

CONCLUSION

It is always tempting to **chase after more aid** – and for conflict affected populations and refugees this can be particularly important – where host governments do not take on full responsibilities. But aid is only ever marginal. In the whole Arab region there is about \$2 billion in aid to education – which is peanuts compared to national government spending – and the problem is that aid is short term and unpredictable.

Education budgets need to be **sustainable and predictable** to recruit teachers securely and achieve long term gains. We should spend 97% of our effort on domestic financing and when we are looking at aid we should look at how we

can use it to leverage greater domestic commitment and not displace domestic efforts. Too often aid displaces or undermines domestic investment and increasingly it also comes with **conditions and ideologies** including more recently of privatisation.

Aid can also undermine the **relationship of citizens to their government** – with education reforms not agreed by public dialogue or parliamentary debate but behind closed doors. We need to build accountability based on the right to education – and that is a right secured by people from the duty bearer that is their own government. When people are aware that they are tax payers (even poorest landless woman pays VAT), then this acts as a catalyst for change.

Finally, yesterday we heard a call for us to make more popular campaigns for the right to education – to use popular media – to write folk songs and dramas. I agree, so let me leave you with my attempt to communicate the core message of my presentation in a **short poem**.

*To build a nation,
You need education
So, governments that care,
Should pay a fair SHARE!
And citizens should always resent
Anything less than 20 percent.
But the budget SIZE
Is the biggest prize;
So, let's make rich companies face the facts
And force them to pay much more tax.
Then allocate funds with SENSITIVITY
For more equity and creativity
And to make sure that its spent truthfully
Invest in civil society SCRUTINY.
The right to education will materialise
With sensitivity, scrutiny, share and size.
So, the simple message that we should stress is
That education budgets need four S's.*