

EDUCATION AND ECONOMIC CRISES

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Monitoring the Effects of the Global Crisis on Education Provision

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This paper summarizes the experience and findings from the monitoring work carried out by UNESCO throughout 2009 to examine and assess the possible effects of the global financial and economic crisis on education provision in its Member States. The findings showed that although it was too early to ascertain the full extent of the impact of the financial and economic crisis on education, there was no obvious indication that education budgets were being cut more than any other sectoral budgets in many countries. However, there were reports that the crisis was having a severe impact in some countries and communities. It is feared that the aftershocks of the financial crisis will be lasting in social sectors, including education, particularly for the most vulnerable. This requires continuous monitoring on the part of UNESCO to fulfill its “watching” and warning functions and to encourage Member States to persevere in their efforts for educational development, keeping in mind that education is one of the most viable channels for economic recovery and sustainable development.

The world was in serious economic and financial turmoil through 2007-2009. In 2007 and into 2008, a compounded mixture of crises unfolded and hit the world: many countries suffered from dramatic increases in world food prices and high fuel prices through the first half of 2008. The global financial crisis, originating in advanced economies, intensified during the course of the second half of 2008 and severely hit world economies throughout 2009. According to IMF projections, there was negative global growth, with a 1.1 percent contraction of the global gross domestic product (GDP) in 2009, before expectedly rebounding to around 3 percent in 2010 (IMF 2009).

Compounded by the multiple effects of the global financial crisis, the world entered into an economic recession in 2009, leading to changes in several transmission channels, such as low demand for exports, and declining flows of remittances, private capital, and development aid (UNESCO 2009b). Depending on the size and structure of their economies, developing countries were variously affected: some countries posted a drastic downturn mainly because of the reduction in remittances or tourism revenue. In others, low domestic and international demand led to a sharp decline in earnings from manufacturing, construction and/or commodity exports. As the International Labor Organization’s September 2009 statistics indicate, large numbers of workers employed in the formal sector, especially manufacturing, commerce and construction, lost their jobs, while others experience cuts in working hours, wages and health or pension benefits.

Regarding aid, especially Official Development Assistance (ODA), critical for economic growth and achieving the Millennium Development Goals (MDGs) in most low-income countries, the potential loss amounted to billions of dollars because of the crisis (UNESCO 2009a). The future prospect of external aid for developing countries is gloomy, as the economic downturn has deepened the fiscal constraints in those developed, “donor” countries.

Governments responded to surmount the crisis by taking various measures. Despite severe fiscal constraints caused by declining revenues, they deployed stimulus packages to restore aggregate demand and growth (UNESCO, 2009a). Counter-cyclical measures taken by advanced and emerging economies are considered instrumental for an economic recovery that is unfolding

earlier than initially anticipated. However, many governments are now faced with an increased deficit. Declining revenues often led them to revise their budgets downwards throughout 2009, including in social sectors. Exit strategies from the stimulus packages are being contemplated in some countries, to reduce budget deficits aggravated during the financial crisis period. Governments' efforts to reduce the deficits potentially detract from education budgets.

Monitoring the Effects of the Crisis on Education

UNESCO has monitored the impact of the global financial and economic crisis on the provision of education in its Member States. The findings from the monitoring aim to inform policy dialogue at the international level during meetings of the UNESCO Governing Bodies, as well as EFA-related international gatherings, on the potential risk of the negative effects of the crisis for achieving the Education for All (EFA) goals by 2015 (UNESCO 2009a). At the country level, findings are shared with governments to promote social protection measures to educate vulnerable populations, and to further tailor UNESCO interventions to country needs.

In 2009 UNESCO conducted a series of assessment exercises to monitor how the crisis is affecting various aspects of education provision in its Member States. First, it conducted a quick survey in fifty countries in March 2009, to understand the effects of the crisis on government budgets for education (UNESCO, 2009a). In a second stage, a series of case studies were conducted in August 2009 to carry out a more in-depth analysis of the impact of the crisis on budgets and education services in selected twelve countries (UNESCO, 2009b).

A most recent monitoring work was a local-level survey, conducted in November 2009 in the Democratic Republic of Congo and Mongolia to examine the effects of the crisis on schools and households, especially the poor and other vulnerable families, and how they were coping with budget cuts and the drop in revenue.

Below are a few findings from three exercises of UNESCO's monitoring work in regard to the effects of the global crisis on education.

Impact of the Crisis: Findings from a "Quick Survey" in March 2009

A "Quick Survey" was launched by the UNESCO Education Sector (through the Section of Education Policy Analysis and Strategies) in March 2009 to collect data and information about the patterns of government finances in relation to education sector during the crisis. Both the data collected and the analysis undertaken considered the ongoing debate among the international community about the impact of the current crisis on the Millennium Development Goals. In doing so, UNESCO intended to fulfil its "watching" function, alerting governing bodies and partners about potentially adverse effects of financial and economic shocks on education, and contributing to triggering policy debate and identifying appropriate responses.

UNESCO was conscious of limitations in collecting education finance data through questionnaires mailed to its field offices. The limitations include incomplete or imprecise data from evolving situations, difficulties inherent to translating the current local debate about education into quantitative evidence and absence of coordination among local actors. Despite the questioning of the data raised through the Quick Survey, a few findings and lessons emerged from the March survey about the impact of the crisis:

- Many countries increased budget deficits at the expense of budgetary orthodoxy, often by means of stimulus programmes, providing a more favourable background for the

- preservation of education budgets than during past crises.
- However, low-income countries were unable to afford additional public deficits and should, therefore, receive preferential access to increased ODA.
- There are serious doubts about the willingness of the international community to fulfill its commitments towards increased ODA, especially among bilateral donors.

Education budgets were affected by the global crisis to a varying degree. In a few countries, education budgets for 2009 declined compared to 2008. In other countries, although education budgets appeared to be resilient, the increase in 2009 was weak and marginal in comparison with the steady increases recorded in previous years (UNESCO 2009a). In most low-income countries where school enrolments are rapidly rising, the negative or marginal growth of education expenditure implies reduction of per-pupil unit costs, cuts in school running costs, and further deterioration of educational quality (UNESCO 2009a).

On a positive note, however, there were no clear signs in March 2009 that education budgets were being cut more than other sectors in most countries. The proportion of education in government finance kept constant or even increased in many countries surveyed and across all regions. Stimulus packages, including increased social transfers in the education sector, were announced in not only developed countries, but also in many middle-income countries. However, low-income economies lacked the necessary fiscal capacity to afford or increase social programmes, unless supported by the international community (UNESCO 2009a).

Impact of the Crisis: Evidence from 12 Country Case Studies in September 2009

In order to complement the findings of the above Quick Survey, the UNESCO Education Sector decided to conduct a few country case studies with detailed interrogation of what is happening and being discussed at country level. The case studies considered the following limitations (i) the evolving nature of the current crisis, (ii) the general nature of the questions asked; (iii) questionnaires needing updates and/or review concerning accuracy and evidence.

This research was carried out in August 2009 for twelve countries, with support from local experts. These countries were selected based on two main criteria: (i) representative geographical distribution according to UNESCO's regional groupings; (ii) the likelihood of the severity of the effects of the crisis. Therefore three countries were selected for sub-Saharan Africa (Ethiopia, Ghana and Sudan), three countries for Asia (Mongolia, Pakistan and Thailand), two countries for the Middle East and North Africa region (Egypt and Tunisia), one Eurasian country, (Armenia), one European country (Moldova) and two Latin American countries (Argentina and Mexico.)

The overriding conclusion was that the impact of the global crisis was more visible in a few countries. All participating countries experienced an economic slowdown in 2009. Analyses confirmed the findings of the earlier survey conducted by UNESCO: while government revenues declined and budgets were cut in 2008 and 2009, education budgets were relatively resilient in a number of countries, though the increase has been less than in previous years. The countries that adopted stimulus packages most likely substantially increased capital expenditures on education.

Two categories of country situations were distinguishable, whether (a) the government has protected the budget for education expenditure, or (b) budgets for education were cut, even after borrowing from abroad. Where budgets were cut, teachers' wages were in general more resilient than other budget items. Similarly, primary education tended to be better protected than post-primary levels, since teacher salaries constitute a predominant share in primary education

budgets. Technical/vocational and higher education were more likely to be subject to budget cuts, partly because they usually consume more non-salary current and capital spending, and investment might have been delayed during the crisis.

There were four categories of government responses that were distinguishable, though often interlinked, among the twelve countries: (i) "Counter-cyclical" measures: such measures were mainly found in middle-income countries having manageable fiscal capacity, which allowed them to increase expenditure, even by borrowing or drawing on accumulated reserves; evident in Egypt, Thailand and, to a limited extent, Armenia. (ii) Targeted social protection: some countries implemented or reinforced targeting programmes that aimed to protect the most vulnerable during crisis; examples include Argentina, Ghana, Mexico, Mongolia and Thailand. (iii) Reform-oriented measures: aimed to seize the opportunity of the crisis to improve cost-efficiency, relevance and governance (Egypt and Moldova). (iv) Budget cuts: evenly distributed across all education subsectors in some countries. In a few countries, including in Ethiopia and Tunisia, the crisis did not lead to specific policy measures.

The country case studies suggest that most governments were able to protect their education budgets in 2009, illustrated by the share of education expenditure in government finance maintained or even increased in most countries.

However, signs of serious decline in government budgets for education in 2010 exist, amid decreased revenue and subsequent decline in government budgets in most countries. Government budgets discussed or projected in case study countries during the August 2009 survey reflect downsizing trends. Though agencies and countries projected economic rebounded in late 2009, exit strategies from stimulus packages were promoted to reduce budget deficits resulting from the crisis. This potentially jeopardizes social sector budgets, including education.

Country case studies indicated that vulnerable households faced difficulties in meeting school costs; children were moved to cheaper schools or public institutions that provided food or material support (UNESCO 2009b). There were instances of increased absenteeism, school dropouts and child labour. In some countries, educational quality and equity in public schools are jeopardized and demand for education decreased due to a decline in household income and an increase in family contributions to absorb rising indirect and direct schooling costs (UNESCO 2009b).

Impact of the Crisis: Local Accounts from a Community-level Survey in Two Countries

In order to obtain more evidence about how the global crisis affected financial flows to schools, student attendance, teaching and learning, the ability of households to support their children's education, and other education-related issues, a community-level survey was conducted in November 2009 in the Democratic Republic of the Congo (DRC) and Mongolia. These two countries are reportedly among those most affected by the crisis. The findings from the local surveys indicated that the global crisis was seriously affecting education provision, especially at the expense of vulnerable populations.

In Mongolia, school operational budgets decreased, student absenteeism and drop-out rates increased, requests for poor households to pay for school-related costs increased and more schools began triple shifts (UNESCO 2010a). The decline in government revenue led to cuts in educational spending, especially in operational expenses. Most schools passed on increased costs to families, while the income of families, especially among vulnerable groups, decreased during the crisis. Requests for increased parental contribution exacerbated the tension that existed before the crisis,

between schools and parents, and also between teachers and students. Student absenteeism increased due to the inability of households to afford extra costs and a need to supplement family income by means of child labor (UNESCO 2010a).

School-level budgets were reduced, leading to cuts in book and teaching manual costs, operational costs for instruction, administration and maintenance costs, and salary costs. In order to fill the gap, parents were asked to increase contribution to school maintenance and other school running costs, and teachers had to buy instructional materials out of pocket (equivalent to approximately ten percent of monthly salary). The number of teachers who live on salary loans from banks increased significantly (UNESCO 2010a). Teachers' motivation and performance were negatively impacted by their increased financial burden. The survey also indicated that household expenses for children's education increased dramatically. Particular increases were recorded in stationery, textbook, uniform, meal, transportation, and student tuition. Households used several measures to overcome financial burdens related to education expenses during the crisis, including bank loans and reducing household consumption (UNESCO 2010a).

In the Democratic Republic of Congo, where most (around 70%) of schools are already private and public schools depend on student fees (even for teacher salaries), the decrease in household income directly impacted school operations (UNESCO 2010b). At the start of the school year 2009/2010, schools allowed a waiver of fee payments, yet many families feared that their children would soon be expelled if fees were not paid until the end of the first quarter (UNESCO 2010b). A number of households sold family assets or reduced spending on basic goods to supplement school fees. Some poor families had to make a choice and decide which children were entitled to schooling. In most cases, younger children attending kindergarten were withdrawn as parents were not able to continue paying the fees. At primary and secondary school level, overage children, that is those who are above the normal school age often due to their late entry to school, appeared to be the first targets to withdraw as parents preferred to engage these children in income-earning activities.

Conclusion

The monitoring exercises conducted in 2009 by UNESCO showed that the status and prospects of the financial and economic crisis were still evolving. In major advanced economies, which were responsible for the emergence of the financial crisis, signs of recovery were being recorded and growth for 2009 was slightly better than initially anticipated. Yet the crisis has deeply affected the job market and the situation of the poor has deteriorated. Among developing countries, middle-income economies have been affected more severely than low-income countries, because of their relative openness to the global financial market and economy. Regarding the effects of the crisis on educational services and outcomes, it was too early to grasp the full picture as sufficient data from school censuses and household surveys were not yet available, additionally, there were difficulties anticipating the aftershocks in the social sectors.

However, the findings from monitoring the crisis provided a few insights into the possible and increasing adverse effects of the crisis on education. In 2009, UNESCO conducted three studies to monitor the effects of the crisis on education. At the time of the first Quick Survey in March 2009, the conclusion was that there was no obvious evidence that the crisis was affecting national education budgets in most countries. However, the in-depth case studies conducted a few months later showed that the effects of the crisis on education started to unfold in a few countries. Country case studies examining Mongolia and Pakistan indicated that vulnerable households were facing difficulties in meeting school costs. There were a growing number of accounts of increased

absenteeism, school dropouts and child labour. The local survey conducted in November 2009 in the DRC and Mongolia was the third study, which provided more insight on the severe effects the crisis exerted on education provision, especially at the expense of vulnerable populations.

In sum, countries have taken measures and steps to protect education budgets in 2009. When budgets were reduced, there was no evidence that education budgets were cut more than those of other sectors. However, it is feared that the aftershocks of the financial crisis will be profound in social sectors, particularly for the most vulnerable people. This compels UNESCO to continue monitoring the effects of the economic crisis on education in Member States and to encourage Member States to persevere in their efforts, keeping in mind that education is one of the most viable channels for economic recovery and sustainable development. In 2010, UNESCO is planning to conduct a few more school-level surveys, based on small sampling of schools in ten countries. These school surveys will provide more evidence on the effects of the global economic crisis on education provision in vulnerable countries, on governments' responses to cope with the effects of the crisis and on the implications of the crisis and governments' measures for the achievement of the EFA goals.

Developing countries are affected by a financial and economic crisis for which they are not responsible. So far, despite the budgetary constraints caused by the financial crisis, most governments have deployed commendable efforts to protect education budgets. One of the key messages from UNESCO's monitoring work is that as developing countries are trying hard to protect education budgets, they should not be thwarted in their achievement of the EFA goals by lack of resources (UNESCO, 2000).

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