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Indicator proposal: total initial financing for education as a percent of GDP by financing unit

TCG 9 Working Group on Finance

WG/F/3

Proposed indicator at a glance

Background: SDG monitoring framework has a measure on public expenditure as percent of GDP (1.a.2) and on total expenditure (including private expenditure) per student (4.5.4), but what is missing is the intermediate step of total expenditure as a percent of GDP (including private expenditure)

Objective: Report on total amount of expenditure on education in a country (including private sources) and understand who is the source of expenditure *using data sources that enable broad coverage*

Proposed indicator: ***Initial financing for education by financing unit*** (general government, private sector households, private sector non-households, rest-of-world ODA, and rest-of-world--non-ODA) **as a percent of GDP**

Concepts and definitions: follow the National Education Accounts (UNESCO 2016) as closely as possible given the available data:

Financing unit: institutional units which provide financial resources

Initial financing: essentially education expenditure made by the unit on its own accord, e.g.: excludes transfers received that are already earmarked for education

Data sources: main challenge (see next slide), in practice may not be able to report expenditure by private sector non-households and rest-of-world non-ODA

Main measurement issue: data sources

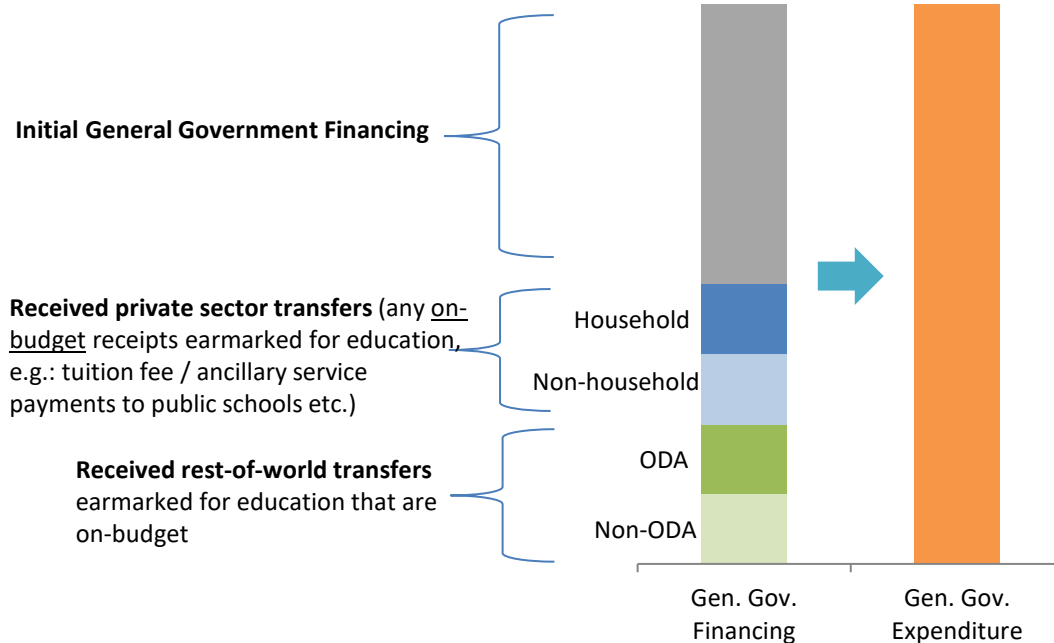
In principle, the UIS Survey of Formal Education collects all the information needed to calculate the indicator; however, coverage is low particularly for household financing in low and middle income countries

Alternative data sources (based on methodology used by the GEMR 2021/22 and Education Finance Watch):

- 1. Initial financing for education, general government:** public expenditure on education by general government is widely reported; however, need to subtract private sector transfers received and rest-of-world transfers received (that are earmarked for education), see next slide
- 2. Initial financing for education, private sector – households:** follow GEMR 2021/22 and use reported education expenditure as a percent of household spending published in national household expenditure or consumption survey reports
- 3. Initial financing for education, rest-of-world transfers – ODA:** use the OECD's International Development Statistics Creditor Reporting System—here following EFW but include only ODA that is earmarked specifically for education to reflect *initial financing*

What does public expenditure include?

Fig. 1. Financing components of general government expenditure on education



- General government expenditure on education (as a percent of GDP) is available, but to calculate *initial general government financing* for education, all transfers received that are earmarked for education need to be subtracted.
- ODA receipts earmarked for education can be calculated from the OECD CRS database.
- However, subtracting private sector receipts earmarked for education (e.g.: tuition payments to public institutes that are on budget) is more difficult and would involve collecting data from national budgets on revenues to education ministries.

Main methodological decision: collecting data on private sector transfers to government for education

Data on private sector transfers to government (e.g.: tuition fees to public institutes on budget) need to be subtracted from data on public expenditure on education in order to more closely estimate initial general government financing, but these data are not readily available

Two potential options:

- 1. Data collection from budgets:** national budgets would have to be reviewed (annually?) and data on revenues for education ministries would need to be collected. Note: that publically available budget documents may not always include this data. Main drawback: cost to UIS for data collection and data may not be widely available (coverage is not known at this time)
- 2. Do not adjust education expenditure:** the result would be double counting because some of the general government financing would overlap with household expenditure. Not clear at this stage the extent of the problem: varies by country depending on how much tuition fees are charged for public institutes, how much independence they have (e.g.: tuition fees may not be on public budgets), probably correlated with region and income groups (e.g.: similar institutional structures in some regions). If this approach is chosen, then a study on the extent to which double counting is occurring is recommended.

Decision point F1

Add to the Thematic Framework an indicator that reflects the total expenditure in education as % GDP

	Option 1	Option 2
Description	<p>Concepts: from UNESCO's (2016) National Education Accounts: Initial financing: amount <u>allocated</u> to education by a financing unit (i.e.: excludes received transferred earmarked for education)</p> <p>Alternative data sources: use when not available from Survey of Formal Education (following GEMR 2022/22 & UIS 22 & the Education Finance Watch)</p> <ol style="list-style-type: none"> 1. General government initial financing: use public expenditure as a percent of GDP (1a2) subtract any on-budget ODA receipts and private sector receipts earmarked for education 2. Private sector household initial financing: collect data from household consumption survey reports (see GEMR 2021/22) 3. Rest of world ODA initial financing: use the OECD CRS database 	No action
Pros	(1) fills a critical gap in the monitoring framework (need total expenditure including private sources before calculating total expenditure per student), and (2) highly relevant policy / research question	
Cons	Requires additional data collection and calculation by UIS: (1) household expenditure from national consumption surveys and (2) revenues from private sector (e.g.: on budget tuition fees to public schools) from budget documents.	
Proposed decision	Approve as indicator initial financing for education by financing unit (general government, private sector households, rest-of-world ODA) as a percent of GDP	
Documentation	Total initial financing as a percent of GDP by financing unit: Proposed Indicator	