A TAXING BUSINESS:

FINANCING EDUCATION FOR ALL THROUGH DOMESTIC RESOURCES

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This report is intended to help shape the debate around financing Education For All (EFA) in an increasingly resource-constrained world, and outlines various policy options and interventions which could help to scale up more 'equitable' models of domestic financing for EFA. The paper focuses on increasing domestic resources in low- and middle-income countries, and goes alongside recent GCE analysis of the need to increase donor financing, including recommendations for donors to scale up their financing in support of their commitments to EFA.

Drawing on a number of secondary sources, the paper synthesises the latest research and evidence around key aspects of education financing, making clear recommendations on areas for action. The research has gained greatly from work carried out within the GCE network and includes inputs both from national coalitions and international members, such as Oxfam and ActionAid. As such, contributions reflect a representative and accurate picture of current national level scenarios and of policy areas around education financing and taxation.

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Executive Summary

Realising the right to education for all requires money: that is, it requires sufficient, well-targeted investment in the interventions most needed to ensure that a quality education is available to all, including the most marginalised. In an increasingly resource-constrained world, governments in low- and middle-income countries are presented with a formidable challenge, which cannot be addressed without more and better use of domestic resources.

In the last 20 years, there have been huge strides forward in improving the educational opportunities of children, youth and non-literate adults. There have been significant falls in the number of children missing out on primary and lower-secondary school, some improvements in youth literacy rates, a narrowing of gender gaps in education, and more children than ever completing a basic education. But much more remains to be done: 127 million children are still out of school, drop-out rates remain high, and the quality of education is often disastrously poor, with up to half of primary school leavers in Africa unable to read and write effectively. Globally, another 1.6 million teachers are needed to achieve universal primary education by 2015 – to which the world committed twice over, in the Millennium Development Goals and in the Education For All goals agreed in the Dakar Framework for Action. Even when teachers are in post, they often lack even basic training.

These challenges will not be overcome without increased and more strategic investments in education. The out-of-school numbers are shifting slowly because the children who are still excluded are those who are hardest to reach: children living in poverty, children with disabilities, those in rural areas, some girls, children from marginalised communities, etc. These children need targeted interventions. The quality of education is often poor and the gap in trained teachers huge because governments are trying to deliver education for all without the tailored strategies and funds necessary to guarantee it.

GOVERNMENTS HAVE THE RESPONSIBILITY TO GUARANTEE THE RIGHT TO EDUCATION FOR ALL THEIR CITIZENS, AND THIS INCLUDES A RESPONSIBILITY FOR FINANCING.

Many governments have increased funding for education over the last ten to 15 years, some of them significantly so. Even then, it has often not been enough and, in recent years, in the wake of the financial crisis, the trend has been towards reducing rather than expanding financing for education. Against this backdrop, aid for basic education in the world's lowest-income countries is decreasing, with some donors pulling the plug altogether on their funding in specific countries. All this has contributed to a $38 billion gap in the financing needed globally each year to ensure all children can go to primary and lower secondary school.

This means that more money needs to be found – and fast. Governments have the responsibility to guarantee the right to education for all their citizens, and this includes a responsibility for financing. It also means that there must be a focus on ensuring that all the money that is available is used as effectively as possible. In this briefing, the Global Campaign for Education (GCE) sets out four key steps to respond to this financing challenge by increasing domestic revenues, and spending this more equitably and effectively.

Step 1.
Implement a fair tax system to increase education budgets

Firstly, there is the need for a fair tax system. This requires a progressive approach to taxation, and, in particular, involves securing more wealth from big multinational companies who operate in developing countries. Too many big companies do not pay the taxes they should in developing countries. In some cases, developing country governments themselves are offering unnecessary free giveaways through incentives like 'tax holidays'. In other cases, big multinationals and individuals are dodging the taxes they should be paying by using tax havens and international tax loopholes – leaving billions of revenues haemorrhaging out of developing countries. The companies that are making money in a country – whether by locating manufacturing there or selling goods – must give back through a fair contribution in taxation. Dealing with this situation could lead to a huge boost for education: tax exemptions in Nicaragua, for example, are worth two and a half times the primary education budget. In Zambia, the amount lost through corporate tax dodging is more than twice the total annual education budget. In Tanzania, the amount lost to tax dodging could pay for the training of all Tanzania's untrained primary school teachers, as well as training and salaries for more than 70,000 additional teachers, ensure that every primary school-aged child has a reading and mathematics text book, and build more than 97,000 new classrooms.

Step 2.
Turn natural resources into a lasting source of national wealth

The second area of focus for increasing revenues that can fund education should be maximising revenues from extractive industries in countries that are resource-rich. This is particularly important as massive new oil and gas deposits are coming on-stream in many of the same countries that are most struggling with providing a quality education for all, particularly (but not only) in Africa. It is crucial that this national wealth is turned into lasting public benefit through providing revenue to invest in education. Governments have a responsibility to ensure that their citizens are benefiting, and not simply the multinational corporations who are extracting the mineral wealth. In Ghana, for example, an estimated $36 million is lost each year through deals that favour mining companies: this is enough to train more than a quarter of Ghana's untrained primary school teachers. In Peru, estimated cumulative losses from poor collection of mining royalties from 1994 to 2006 could have paid for four years of schooling for every single one of the nearly half a million children of primary or lower secondary school age who are currently out of school in Peru. There are some positive examples of countries, such as Mongolia, that are fighting back against international companies draining natural resource wealth; more of this could mean more financing for education, and a lasting public benefit.

Step 3.
Spend resources more equitably

Once revenue is collected, there must be equitable and well-directed education spending. Given the severe constraints on education financing, it is crucial to ensure that all available funds are spent fairly and in line with identified needs, and that they have the greatest impact on achieving a quality education for every child and non-literate youth or adult.

This entails identifying and targeting the greatest gaps in meeting the Education for All goals, which means that spending must effectively combat exclusion, through public spending approaches and formulae that recognise and target disadvantage and marginalisation. Brazil, for example, has developed spending formulae that help to redress poverty. Spending must also focus on the broadest base, with significant investment in early childhood and primary education and allocation between primary, secondary and post-secondary levels taking into account what proportion of students are progressing through the system – and avoiding spending the bulk of resources on education that is only accessed by a tiny elite. Finally, there is the need for greater investment in quality, with a particular focus and recognition on the importance of well-trained and well-supported professional teachers in enhancing quality education.

Step 4.
Make ordinary citizens part of budgeting and monitoring

Finally, and closely linked to the previous requirements, is the need for open, transparent and participatory systems for budgeting and spending. Spending education budgets well is not a purely technical matter: by involving citizens, governments can better ensure their budgets target the areas of greatest need, and when governments are open and accountable, there is a much greater chance of funds being spent effectively and as promised. Many GCE national coalitions focus on making budget-setting more responsive and budget execution more transparent: Education For All Sierra Leone, National Coalition for Education Nepal, Foro Socioeducativo Republica Dominica and Coalition Nationale pour l'Education Pour Tous Burkina Faso are just a few examples. This work can also play a crucial role in creating healthier democracies and breathing lifeblood into the social compact between state and citizens.

Introduction.
The Scale of the Education Challenge

There has been remarkable progress on many fronts in education around the world over the last 20 years. The number of out-of-school children has fallen considerably, gender gaps are narrowing and more children are completing a basic education. There are 45 million more children in primary school than in 2000,[1] and the numbers in pre-primary and secondary education have gone up (from a weaker base) even more dramatically, by 54 million and 94 million, respectively. But with only two years to go before both the education-related Millennium Development and Education for All goals are due to be achieved, and despite this progress, we are still a long way from realising the right to education for all.[2]

There are still 127 million children around the world who are missing out on primary or lower-secondary school, and expansion of access to education is slowing.[3] After making considerable strides forward in reducing the number of out-of-school children from the start of the 21st century, progress has now ground to a virtual standstill. This slow-down is most acute in Africa – the region with the most still to do in terms of providing universal primary education – with the number of children missing out on primary school stagnating for 5 years at around 30 million, or more than 1 in 5 children of primary school age.[4]

Globally, this is both a problem of enrolling the most marginalised in school, and of keeping children in school. There has been little progress in reducing the rate at which children drop out of primary education: the early school-leaving rate stands at 25%, the same level as in 2000.[5]

At the same time, as demand for primary and secondary school has risen, many governments have struggled to meet the need to expand access while also improving quality. As a result, many children who do attend school still do not benefit from a good education, with many not even acquiring basic literacy and numeracy, let alone more complex critical or creative skills. And despite the promises of Dakar, there are 773.5 million non-literate adults in the world, most of them women.[6]

A major factor in these gaps in progress towards meeting education goals and guaranteeing education rights is the financing gap: governments are responsible for providing good education for their citizens, but those that are trying to expand access to education, without significant increases in finance, are severely constrained in providing a quality education. Globally, there is a chronic teacher shortage, with a current gap of 1.6 million teachers just to deliver universal primary education, while huge numbers of the teachers who are in post have little or no training.[7] Creating more school places without sufficient funds to train substantially more teachers leads to poor education systems.

Governments that are trying to deliver on education for all can, to a varying degree, draw on a combination of both domestic resources and aid contributions. Recent data points to some concerns that, unless there is a marked shift away from the often woefully low levels of funding from both sources, governments are unlikely to be able to meet this education challenge.

Trends in domestic financing for education

A significant proportion of financing for education (more than ever) is raised domestically. Even for countries which need substantial aid support, domestic revenue is the major element of education financing: most of the 58 low- and lower-middle-income countries that are members of the Global Partnership for Education now fund up to 80% of the costs of their education programmes, much higher than only a few years ago.[8]

In sub-Saharan Africa, for example, real expenditure on education has risen by 6% annually since 2000. Out of 26 countries with available data in the region, UNESCO's analysis has shown that only the Central African Republic reduced spending on education, and 18 have increased not just education spending in absolute terms, but also the share of GDP going to public education expenditure. The largest increase was observed in Burundi, where spending on public education increased from 3.2% to 8.3% of GDP.[9] There have not been such marked increases in Asia and the Pacific, and there is limited data from the Middle East, but there have been positive trends in terms of levels of commitment in Latin America.[10] In Brazil, after years of campaigning by the Brazilian Campaign for the Right to Education, the National Assembly recently agreed – although this still needs to be ratified by the Senate and sanctioned by the presidency – to devote 10% of GDP to education (up from 5.1% previously).

On average, low- and middle-income country governments are close to meeting the global target of allocating 20% of national budgets to education, and within that allocating at least half to basic education (i.e. 10% of all government spending goes to basic education).[11] In Asia and the Pacific, average public education spending is around 14% of the budget, in Arab states and Latin America it is just under 17%, and in sub-Saharan Africa nearly 18%.[12]

But, despite this generally positive picture, spending is still not at the level needed: out of 52 low- and middle-income countries with data available,[13] 12 have been consistently meeting the 20% target,[14] and while a further 11 are very close,[15] this still means that more than half have further to go. And there are worrying signs that the increases in spending seen over the last decade may be slowing. In a survey of 18 low-income countries by UNESCO, seven cut education spending in 2009, after the financial crisis.[16] A review of education spending in the Government Spending Watch database, across 52 low- and middle-income countries, shows that education spending rose by a small amount (0.34 per cent of GDP) between 2008 and 2012; however, from 2009, countries have been finding it ever more difficult to increase spending, with more than half reducing spending as a percentage of GDP, and as a percentage of total spending from the period 2009 to 2012. This is in line with broader spending trends across the MDGs in the post-financial crisis world, with the annual rate of real growth in spending slowing sharply in recent years, from 7% in 2009, to 3% in 2011, down to only 1% in 2012.[17]

Trends in donor financing for education

Against this backdrop, the startling and worrying reality is that donors are currently withdrawing their aid support to education. Moreover, the areas of greatest need are faring the worst: a recent report by GCE shows that support to basic education is falling deeper and faster than other areas of education aid, demonstrating a trend among donors to shift their spending away from basic education.[18] Funding to basic education in low-income countries specifically is falling: aid has decreased in 19 low-income countries in recent years and some donors are completely shutting down operations in some of the world's poorest countries.[19] Total aid to education now stands at US$13.5 billion, with less than half of that going towards basic education – US$5.8 billion – and only a fraction of that supporting basic education in low-income countries that are most in need ($1.9 billion).[20] Current spending projections point to further cuts unless serious shifts are made in donor policy.

Meeting the education financing challenge

Overall, then, financing for education remains woefully lacking to meet the need. Even where low- and middle-income countries are expanding spending, it is not sufficient to fill the gaps that exist. On the contrary, the financing gap for achieving education for all is widening: the EFA Global Monitoring Report team in 2013 revised its estimate of the annual global financing gap for basic education – by US$10 billion – to a total US$26 billion, or $38 billion if lower-secondary education is included.[21] This increase is described as largely due to a reduction in previous estimates of donor support to basic education.[22]

The amount to be provided seems huge, but that does not mean this financing is inaccessible. As a comparison, $26 billion represents less than 5% of annual spending in fast food restaurants,[23] or less than 1.5% of global military expenditure in 2012.[24] The world's children urgently need governments to commit themselves to funding education for all as a priority: with sufficient political focus, the financing gap can be filled.

In the immediate term, this must involve donor governments, who need to reverse their current patterns of slashing support for basic education in the poorest countries.[25] But, ultimately, for education systems to be sustainable over the long term, national governments must be able to fund their education systems sufficiently, equitably and effectively. Moreover, the progressive realisation of the right to education will require increases in funding. As it is the state's responsibility to fulfil this right, it means there must be a commitment towards, wherever possible, identifying ways to increase resources.[26]

The Global Campaign for Education (GCE) sets out in this briefing four key steps towards doing this, two relating to revenues, and two to spending.

Firstly, there is the need for a **fair tax system**. This requires a progressive approach to taxation, and, in particular, involves securing more national wealth from big companies operating in a country. The companies that are making money in a country – whether by locating manufacturing there or selling goods – must give back through a fair contribution in taxation.

Secondly, governments should focus in particular on maximising **revenues from extractive industries**. There are many environmental and social reasons to better regulate these industries, (which this paper does not cover). But where natural resources are being extracted, one key area for more action is for governments to ensure that their citizens are benefiting, and not simply the multinational corporations who are extracting the mineral wealth. With massive new oil and gas deposits coming on-stream in many African countries, it is crucial that they are turned into lasting goods through providing revenue to invest in education.

Once revenue is collected, there must be **equitable and well-directed education spending**. Given the severe constraints on education financing, it is crucial to ensure that all available funds are spent fairly, and in line with identified needs, in order to have the greatest impact on achieving a quality education for every child and non-literate youth or adult. This includes targeting the greatest gaps and spending effectively to combat marginalisation and exclusion.

Finally, and closely linked to the previous requirements, is the need for **open, transparent and participatory systems for budgeting and spending**. Spending education budgets well is not a purely technical matter: by involving citizens, governments can better ensure their budgets target the areas of greatest need, and when governments are open and accountable, there is a much greater chance of funds being spent effectively and as promised.

The rest of this report will address these four challenges.

Step 1.
Increasing Domestic Resources for Education through Fairer Taxation

To provide education for all, developing country governments need more money – and their major source of revenue is taxation. Without adequate tax revenues, governments cannot hope to sustain public services, infrastructure and social programmes, including the education system. There is convincing evidence that a country's ability to achieve its social and economic objectives is directly related to its ability to collect sufficient tax revenues.[27]

Currently, tax revenues in low- and middle-income countries fall short of both what is needed and of the levels in richer countries. OECD countries on average collect around 35% of GDP in taxation.[28] Half of sub-Saharan African countries mobilise less than 17% of their GDP in tax revenues, and in Latin America the average is around 19%.[29] In low-income countries overall, the average is less than 14%,[30] well below the minimum level of 20% considered by the UN as necessary to achieve the Millennium Development Goals.[31]

There are some structural reasons for low tax-to-GDP ratios in low- and middle-income countries. Rich countries can raise more taxes because a much larger proportion of economic transactions take place in the formal economy, where systems and record-keeping facilitate taxation, and because more people have incomes above a threshold at which they can afford to pay taxes. The capacity of tax authorities in low-income countries in particular can be weak, making it harder to collect taxes.

But in spite of these challenges, low- and middle-income countries can increase their revenues, making more available for the realisation of the right to education for all. One way is to shift towards a progressive taxation system, and away from more regressive systems (see Box 1 for definitions). This would enable more resources to be directed away from the wealthier, towards services which most support poor people (i.e. public education systems). Priority must be given to ensuring that taxes fall on those most able to pay – large companies and wealthy individuals.

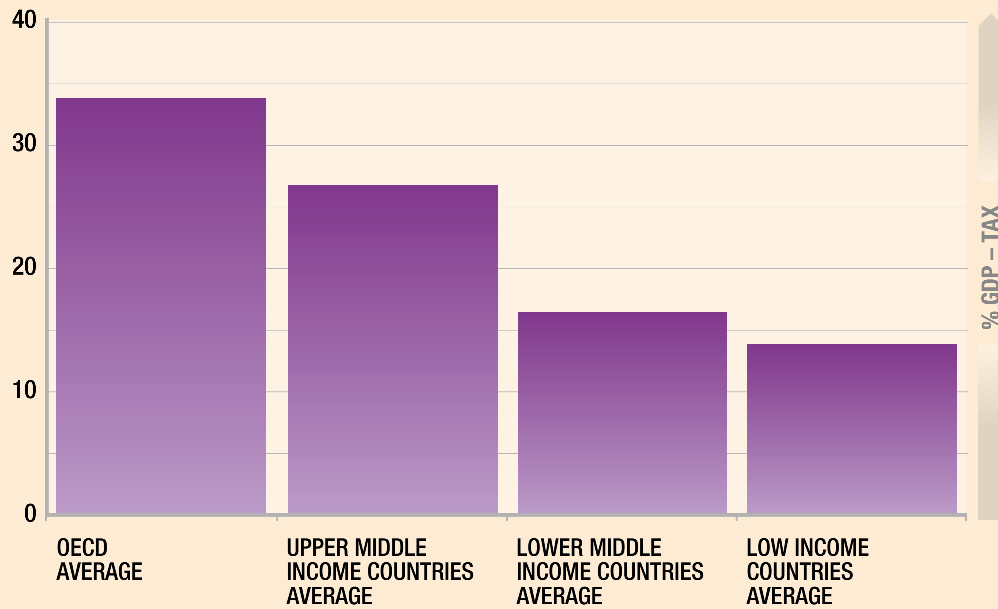

Chart 1. Ratio of tax to GDP by country income group

Sources: OECD average based on the OECD tax database: www.oecd.org/tax/tax-policy/oecdtaxdatabase.htm
Other countries based on IMF data here: www.imf.org/external/np/pp/eng/2011/030811.pdf

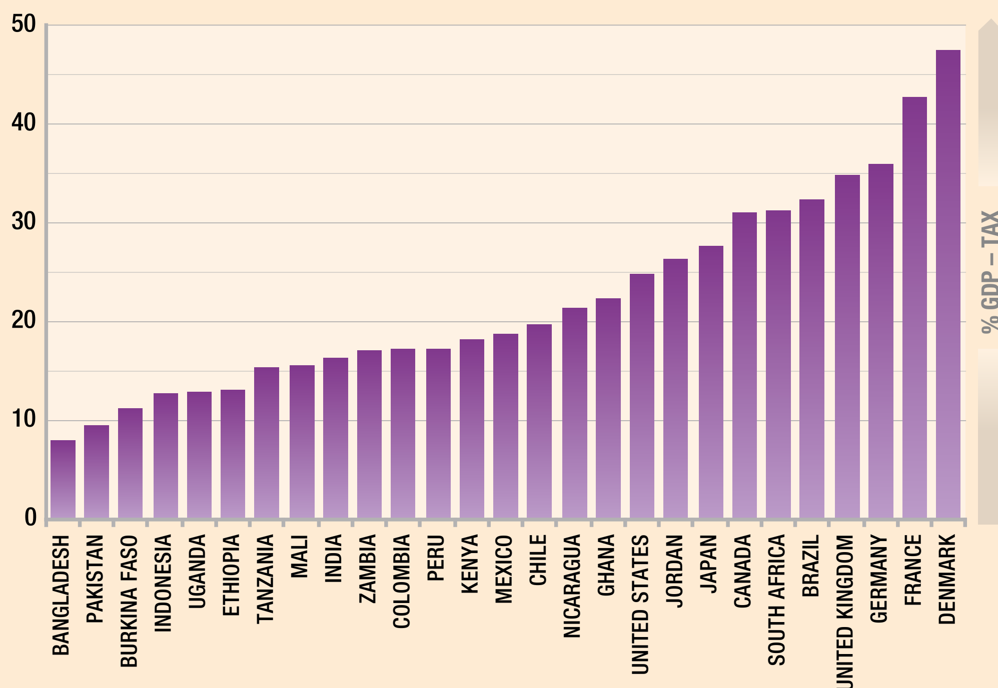

Chart 2. Ratio of tax to GDP across selected countries

Source: Based on IMF data here: www.imf.org/external/np/pp/eng/2011/030811.pdf
or OECD tax database (OECD countries): www.oecd.org/tax/tax-policy/oecdtaxdatabase.htm

Box 1. Shifting from regressive to progressive taxation systems, to fund Education for All.

Tax systems can be, or have elements that are, 'progressive' or 'regressive'. A progressive tax system is one in which wealthier individuals or companies contribute a higher share of their income in tax than those with less money. A progressive tax system could, for example, rely more on taxation of resource wealth, corporations or property rather than ordinary citizens' incomes, or on income tax with a higher rate for those on higher incomes.

With a regressive tax system, on the other hand, poorer people pay a greater proportion of their income in tax than the wealthy do. This could be the case, for example, in a system that relies heavily on consumption or sales taxes: buying basic goods takes up a higher proportion of poor people's income, and so they will pay a greater share of their limited incomes in tax. Most tax systems in the world are regressive, especially in countries where low levels of taxation on income or corporations has led to over-dependence on consumption taxes such as value added tax (VAT).

Developing sustainable financing systems, which also address rising inequality levels and support the delivery of quality public services, requires the building of progressive tax systems. This is increasingly important in many middle-income countries, where the development models are leaving behind the poorest, while the wealthier are growing ever richer. National systems that ensure that the tax burden is shifted away from the poor (i.e. through decreasing a reliance on consumption taxes like VAT), and increasingly towards those who can afford to pay more, will need to be made on a country-by-country basis, according to the context.

For now, a first clear step is to increase the share of taxes which are being paid by large multi-national corporations, and use the (finite) wealth generated by extractive industries into lasting investments in education. This paper focuses specifically on shifting towards more progressive systems by increasing taxes levied on corporations and the extractive industry.

Multinational companies are not paying their fair share of tax

A major challenge that countries face in increasing their tax revenues is taxing multinational corporations. Many big companies do not pay the taxes they owe in low- and middle-income countries, depriving those countries of billions of dollars that could be used for building schools or paying teachers. The scale of this is vast: according to a report by Christian Aid, developing countries lose US $160 billion a year in tax revenue to the manipulations of multinational corporations – considerably more than they receive in aid each year, and more than four times the global financing gap for basic and lower-secondary education.[32]

Multinationals are particularly well-placed to make use of international tax structures to dodge paying fair taxes in developing countries. By using 'tax havens' (jurisdictions with low tax rates), and negotiating large tax exemptions or 'holidays', they are able to avoid taxes. A recently-published OECD study, commissioned by the G20, has shown how multinationals use a mixture of strategies to exploit loopholes and avoid tax, paying as little as 5% in corporate taxes, when smaller local businesses are paying up to 30%.[33] The loss of potential revenue is compounded by the lowering of corporate tax rates over the last 20 years.

Turning this around could be a major windfall for the public sector, potentially doubling the education budget in many countries. In Tanzania, for example, the World Bank recently noted that official estimates put the annual revenue loss from tax incentives at around 4% of GDP in 2011.[34] One report has estimated that potential revenue lost to the country through a combination of avoidance, evasion, capital flight (rapid flow of wealth and assets out of a country) and tax incentives combined stands at an average of US $1.07 billion a year.[35] This is more than the total education budget in 2011, which stood at US $967 million.[36] According to GCE's analysis, this lost revenue could have paid for: more than filling the primary teacher gap, by providing training and salaries for 70,650 additional teachers, allowing every child to attend primary school with a teacher-to-pupil ratio of 1:35[37]; training of the 140,625 primary school teachers who are currently untrained; ensuring that every primary school-aged child has a mathematics and a reading text book (as opposed to one between four and two children, respectively, at present); and building more than 97,000 new classrooms.[38]

The unpaid tax comes from two kinds of source: tax breaks that countries give away, and tax dodging that companies carry out both legally, by exploiting loopholes (called 'tax avoidance'), and illegally (called 'tax evasion').

A tax giveaway? Incentives and competition

Multinational corporations avoid paying a staggering amount through tax incentives offered or agreed by governments. A tax incentive is a deduction, exclusion or exemption from payment of taxes in a specific geographic location or sector in-country, with the intention of encouraging investment or other economic activity. Such incentives often take place over a specific period in the form of corporate tax 'holidays' (often several years, during which tax does not have to be paid), or are tax rate reductions for specific types of activities.

There has been a proliferation of tax incentives in recent years. In sub-Saharan Africa, for example, twice as many low-income countries offered tax holidays in 2005 as in 1980 (80% versus 40%).[39] ActionAid has estimated that the amount given away globally to companies through corporate income tax exemptions is US $138 billion every year, or nearly US $3 billion each week. In just over two months, this could fill the global finance gap of US $26 billion for basic education.

'Tax competition' is a term to describe countries, or even regions within a country, competing with one another to attract investment by offering incentives like lower tax rates or tax holidays. Such competition can involve countries trying so hard to secure investment that they give up most of the benefits of it. Over the last twenty years, tax competition has resulted in 'race to the bottom' in corporate tax rates in many low- and middle-income countries (see Box 2 for an example of how this has unfolded in East Africa).

As mentioned, tax competition can also take place within a country. In Brazil, tax competition between states has become so aggressive that it has gained its own term – 'Guerra Fiscal' or 'tax war' – with states competing to undercut each other with similar incentives to attract business. This 'Guerra Fiscal', in Brazil's highly decentralised fiscal model, has led to states setting their own tax incentives and aggressive inter-state competition. This has driven down state tax rates. One recent study highlights the negative impacts of such competition, pointing to falling state revenues in Paraná and Rio Grande do Sul as a result of tax competition.[40] The argument for tax incentives and tax competition holds that these are necessary to attract foreign investment. Yet there is strong evidence that these incentives are not as important as other factors in deciding on investment in a country. Studies have shown that an educated workforce and "knowledge infrastructure" are far greater incentives for companies to invest than low tax rates: that is, by lowering tax and thus investment in the education sector, countries may in fact be deterring investment even whilst impoverishing their citizens.[41]

Investors are happy to accept incentives, but in many cases countries are giving up revenue flows without any net benefits, since the investors would most probably come anyway. Moreover, tax breaks for foreign investment can 'crowd out' local companies who are not getting the same level of incentives.

Box 2. Tax competition: An East African race to the bottom?

The East African Community (EAC) – including Kenya, Tanzania, Uganda, Rwanda and Burundi – is a customs union: a duty-free trade area with a common external tariff. Companies located in any EAC country can provide goods to the other countries without paying duties. Competition for investment between EAC countries mean that they now offer a wide range of tax incentives to foreign companies, including 10-year corporate income tax holidays, often in export processing zones (EPZs), large reductions in VAT payments, or cheap import duties.

Analysis by Tax Justice Network Africa and ActionAid suggests this tax competition, arguably leading to a 'race to the bottom', is resulting in harmful tax incentives. These appear not even to be effective: a 2006 report by the International Monetary Fund (IMF), focusing on East Africa, dismissed the role of tax incentives in attracting investment.

In total, Kenya, Uganda, Tanzania and Rwanda are losing up to US$2.8 billion a year from tax incentives and exemptions.

Sources: TJN-Africa and ActionAid 'A Race to the Bottom: East Africa tax competition'. http://www.taxjustice.net/cms/upload/pdf/TJN Africa_1107_Concept_Note_Harmful_Tax_Competition_in_East_Africa.pdf

Box 3. Lost revenues and the education price tag.

The immense losses to public sector revenues from tax incentives could make a dramatic difference in realising the right to education for all, as GCE calculations show.

The Africa Development Bank (ADB) estimated that Uganda lost US $272 million, or at least 2% of GDP, to tax exemptions in 2009 to 2010.[42] Given that the IMF Head of Mission was quoted in July 2013 as saying: "Tax incentives in Uganda are too many and right now, not important to attract investment", GCE argues that this would be better spent on education.[43] This US $272 is equivalent to almost the total primary education budget in 2012,[44] and nearly half of planned spending on the entire education sector in 2013-2014: it is more than enough for the Ugandan government to meet their pay commitments to existing teachers (which they currently say they cannot afford) and pay salaries for more than 80,000 new primary school-teachers, bringing the total to more than 250,000 teachers, and the average number to one for every 34 children, with every child in school, rather than one for more than 50 children, as it would be with current teacher numbers.[45]

In Nicaragua – where only three quarters of children complete primary school, and as few as 12% in some regions – the total tax exemptions given are the equivalent of US $415.6 million.[46] This is more than two and a half times the amount being spent on primary education.[47] Just over a quarter of the value of the tax exemptions could pay for two years of pre-service training for 5,000 new primary school teachers, five years of in-service training for all current primary school teachers, and "Paquetes Solidarios" (backpacks including school materials and shoes) for every primary and secondary school aged child in the country.[48]

In Kenya, the government has estimated that all tax incentives and exemptions stand at around US $1.1 billion annually[49]: this could more than double the primary education budget, which stood at US $924.15 million in 2012/2013.[50] In a country where 1 million children are missing out on primary school, this could pay for them to be enrolled in school ten times over.[51] It could pay for the training and salaries of the 50,000 additional teachers that Kenya still needs to provide primary education for every child, for 100,000 new classrooms, and for two new textbooks for every child of primary and lower secondary school age – and still leave more than US $10 million in change.[52]

In Bangladesh, more than 40% of teachers at primary and lower-secondary level are untrained. ActionAid has estimated that in 2005 tax incentives were in the region of more than US $133 million[53]: this would have been enough to pay for the training of every untrained teacher, and also build almost 15,000 new classrooms.[54]

Note on sources: The source of these calculations is referenced in the footnotes. The calculations are based on estimates of country tax incentives from the work of TJN-Africa, ActionAid and Oxfam.

The haemorrhaging of development resources from tax avoidance and evasion

Tax incentives are offered by governments, but many companies and wealthy individuals go further and proactively dodge[55] the taxes that they should pay, whether by exploiting legal loopholes, or acting illegally. Legal loopholes allow multinational companies and wealthy individuals to avoid paying their fair share of tax.

Multinational companies, which account for 60% of all international trade,[56] exploit their complex structures and multiple locations to avoid paying corporate taxes in the countries where they operate. They often do this by using complex structures and establishing subsidiaries where tax rates are lowest to report profits, rather than where they are actually doing business.

Some companies shift their profits – which have actually been made in other countries – into so-called 'tax havens' (a jurisdiction with very low or barely existent tax rates). According to the Tax Justice Network's Financial Secrecy Index, there are 73 tax havens around the world.[57] Some offer benefits to particular sectors and others offer low taxes across the board. Many of the better known ones are small islands with little industry, especially UK crown dependencies such as Jersey, Guernsey and the Cayman Islands. It is less known that some of the biggest tax havens are actually part of major powers, such as the US state of Delaware. In some cases, jurisdictions can act as tax havens for specific sectors or sub-sectors: an example is the Netherlands, which has exceptionally generous rules for holders of patents and trademarks.

Tax havens not only offer companies and individuals low or even zero corporation tax rates, they also provide a veil of secrecy that means proper scrutiny of the company is difficult or even impossible. The shadowy nature of tax dodging makes it hard to assess the overall impact but it is clear that the scale of tax haven use is massive – and corrosive on development.

The Tax Justice Network has estimated that, globally, at least half of all corporate transactions and trade passes through tax havens, even though these jurisdictions account for just 3% of the world's GDP,[58] and that US $32 trillion could be held offshore.[59] Meanwhile, Oxfam has estimated that at least US $18.5 trillion is hidden by wealthy individuals in tax havens worldwide, representing a loss of more than US $156 billion in tax revenue[60] – enough to fill the global education financing gap more than four times over.

While lost revenue affects all countries, its impact on low- and middle-income countries is particularly devastating, given their ongoing struggle to finance development. The Tax Justice Network has estimated that developing countries could be losing US $189 billion in associated tax revenue every year.[61] The OECD estimates that, globally, developing countries lose three times more to tax havens than they receive in aid each year,[62] while the Africa Progress Report released in May 2013, estimates that tax avoidance is depriving Africa of US $38 billion a year.[63]

Box 4. Zambia: Pitting profits against education.

The level of corporate tax dodging in Zambia is immense. The government estimates that the country is losing a total of US $2 billion annually through corporate tax avoidance.[64] This is more than twice the annual education budget.[65]

Tackling tax avoidance could therefore make a dramatic difference to education, which is still chronically underfunded, in spite of strong political and financial commitments from the government (the government is currently committing close to the recommended 10% of its budget on basic education).[66] Zambia has made great strides in education. In 2000, more than half a million primary school-age children were out of school, while today it is only just over 70,000.[67] But still there is a long way to go, particularly in ensuring quality education through providing sufficient, well-trained teachers: there is currently an average of only one teacher to every 61 pupils at primary level. In Zambia, under-resourced systems have strained under the weight of increased demand.

Stopping tax avoidance – even by individual companies – could make all the difference. In February 2013, ActionAid revealed that a combination of tax breaks and tax avoidance by Zambia Sugar, a subsidiary of the UK-based multinational Associated British Foods (ABF), had cost the Zambian government US $27 million since 2007. Zambia is currently short of 29,000 teachers to provide universal primary education. The tax evasion by this one company alone could have paid to train almost all this number.[68]

In reaction to increasing pressure on the Zambian government after a number of high profile tax dodging cases, particularly in the mining sector, (see below) the government has recently announced a review of tax incentives and new measures to tackle corporate tax dodging. They had previously also said they were committed to making secondary education free, partly funded by increases in mining taxation – GCE hopes this can act as a case of leading the African continent by example on how to tax and spend more fairly.[69]

Sources: Zambia Chamber of Commerce, Government Spending Watch, UNESCO Institute of Statistics, ActionAid, DFID, GCE calculations.

Step 2.
Making the Most of Natural Resources: From Curse to Cure?

The extractive industries sector represents particularly large losses for many countries, but also presents huge opportunities to increase financing for education. Of course, the decision of whether and how to exploit natural resources has environmental and social implications; but once that decision has been made, it is crucial that any exploitation of natural resources raises revenue to get every child in school and receiving a quality education. Extractive industries are already a huge part of the economy for many countries. New oil and gas discoveries in Ghana, Mozambique, and across various East African countries raise the potential for massive new pools of finance. These must be used to turn a resource of limited duration into a lasting one through investment in education.

For this to happen, there must be an end to mining revenues haemorrhaging out of countries through tax dodging. The Africa Progress Report has commented that mineral-rich countries in Africa need to "urgently to review the design of their tax regimes", which were designed to attract foreign investment when commodity prices were low, and are no longer needed. The report highlighted mining deals involving two multinationals, carried out through companies in the British Virgin Islands, Panama and Gibraltar, which deprived the Democratic Republic of Congo of an estimated US $1.36 billion – almost twice the country's education and health budgets combined.[70]

When pitted against possible benefits for education, the amounts lost from mining revenues in individual country cases demonstrate the scope of the untapped resources which could be invested in the future of countries by supporting education systems.

In Ghana, a study estimated that between 2007 and 2009, mining deals led to a loss of around US $36 million a year.[71] While school enrolment is high, quality can be very poor and provision is extremely unequal. More than 64,000 primary school teachers in Ghana have had no training at all;[72] more than 1,700 public primary schools have no trained teachers, and 10 districts have 155 students per trained primary teacher.[73] The US $36 million lost each year through mining deals could pay for 18,500 untrained primary school teachers to be trained, and could have ensured all teachers are trained within four years.[74]

In Zambia, where 60% of citizens still live below the poverty line,[75] the tax dodging by big mining companies became more visible during the boom in copper prices from 2005 to 2008. Copper mining profits almost quadrupled from 2005 to 2006, jumping spectacularly from US $52m to US $206.3m, yet government revenues from royalties were set to be less than US $11m.[76] Copper accounted for 20% of export earnings, but brought in state revenues worth less than 0.5% of GDP. Zambian officials blame this discrepancy on tax avoidance.[77] A subsequent government crackdown on tax avoidance, including audit reports, found that the Glencore company was artificially altering prices and costs in order to avoid reporting any profit in Zambia, thus avoid paying taxes. Five NGOs took up the cause, filing complaints with the OECD against two companies, and culminating in the UK government investigating allegations surrounding Zambia's lost tax revenues from foreign-owned mines, including claims that Glencore avoided paying up to GB £76 million a year in tax on its Mopani Mine in the country.[78]

Not only can governments raise revenue through taxes on profit from extractive industries, but they can also raise revenue through imposing royalties on production. Often governments do not reap the potential profits which could come from mining through royalties. Guatemala and Honduras charge just 1% in royalties from extractive industries; in 2007, Honduras collected just 0.1%, a tiny US $283,000.[79] Meanwhile, Christian Aid estimates that Peru lost US $849 million through poor collection of mining royalties from 1994 to 2006.[80] This amount could have paid for four years of schooling for every single one of the nearly half a million children of primary or lower secondary school age who are currently out of school in Peru.[81]

UNESCO has recently estimated that for 17 countries already rich in resources or with recently discovered deposits, revenue from natural resources could finance access to primary school for 86% of out-of-school children if their governments maximised the revenue generated and dedicated a significant share to education. This could reach the equivalent of US $5 billion a year – two and a half times the amount that these countries received in aid to education in 2010.[82]

Turning natural resources into education for citizens

Some countries are showing the way in making the most of resource revenues. Bolivia, Colombia and Panama all draw more than 40% of government revenues from taxation of natural resource extraction; in Venezuela it is 67%.[83] Some African governments – including Zambia, Uganda, South Africa and Ghana – are in the process of, or have been going through, amendments of their mining tax legislation or contracts with mining companies to increase the revenue they collect from mining. They are doing so partly under public pressure from citizens aware that they are not benefiting from the recent resource booms. Meanwhile, Mongolia has also been pushing back against potential losses from huge new copper deposits in the country by cancelling a bilateral tax treaty with the Netherlands that was allowing companies to channel money through there and avoid paying taxes. Finally, in response to the recent huge protests in Brazil, the government has introduced a bill which allocates all royalties from newly discovered oil fields to education and healthcare (see Box 5).

In April 2013, the Ugandan government won a long-standing argument with Heritage Oil after the company refused to pay capital gains tax on the sale of two oil blocks in western Uganda. Having won the claim, the Ugandan government is set to receive a US $404 million tax pay-out.[84] This amount is more than five times the financing gap for Uganda's 2004-2015 education strategy. It could increase by two thirds Uganda's education budget (US $633m in 2012/13), paying for every child currently out of primary school to attend school, and still leaving enough to increase the per-pupil spending at primary level by 60%.[85]

As the prices of natural resources remain high, and more deposits are being found, it is crucial that fair, transparent rules about taxation and royalties are set in place and implemented. Doing so can make the crucial difference to countries' ability to provide education for all.

Box 5. Oil royalties bill secures finance for public education: a victory for Brazilian civil society.

In August 2013, the Brazilian Campaign for the Right to Education celebrated an historic victory as a new bill was passed by Congress to ensure that royalties from newly discovered oil fields go to education and healthcare. This success was, in part, the result of the advocacy carried out by the Brazilian Campaign for the Right to Education – which represents more than 200 organisations and movements across Brazil – on the back of the political pressure created after widespread protests led to demands for the government to respond with new policy responses.

National demonstrations rocked Brazil in June 2013. Originally triggered by transport fare rises, these quickly moved on to demonstrate more widespread unrest at a lack of public spending on services, while huge expenditure was being poured into the 2014 FIFA World Cup preparations.

The unrest prompted President Rousseff to present an emergency package of investment and reforms in public services. The new bill that designates all royalties from newly discovered oil fields to education and healthcare is one outcome of the negotiations around these reforms. The bill was passed in August 2013 and will come into effect in 2014. According to the resolution, 75% of drilling royalties the Brazilian government receives from oilfields in the so-called 'pre-salt' layer are to be invested in education and 25% on health. The pre-salt area is so-called because the oil and gas lies beneath several thousand metres of water, rock and salt off the Brazilian coast.

The Brazilian Campaign for the Right to Education worked towards this outcome with furious lobbying and advocacy at a number of levels. The bill is a huge win both in its overall purpose – making more funding available for education – and in the detail, by ensuring that the terms of the agreement and the type of revenue allocated is most likely to guarantee secure and accessible financing for education. Finally, pressure was applied on congress and others to ensure the bill was passed. This oil revenue is projected to contribute more than USD $75 billion American to public education over the next 10 years.

Source: Information provided by the Brazilian Campaign for Education.
Also available here: http://www.campanhaeducacao.org.br/?idn=1176

Step 3.
Equitable Spending of Education Resources

Raising more domestic revenue through increasing taxation only tackles one part of the financing puzzle: there must also be a spending plan that addresses the need for post-primary education expansion, improves quality, increases equity, and addresses the need to support marginalised populations to access primary education. This requires spending that is sufficient, equitable, and well-directed – in line with identified challenges and gaps.

In terms of overall volume of funding, GCE calls on all governments to meet the internationally recognised target of spending at least 20% of their budgets on education. But volume is not the only issue: if education spending is to guarantee the right to quality education for all, it must be equitable. In practice, that apparently simple aim can require complicated action: it means that education budget allocations cannot be determined without reference to existing inequalities (including in quality). Governments have a greater challenge in reaching and providing education for populations that face deeply entrenched disadvantages; reaching 2015 goals therefore requires a strengthened focus on strategies that target the most marginalised groups, and this includes targeted financing.[86]

GCE argues that equitable education spending plans require the following:

– Public spending approaches and formulae that recognise and target disadvantage and marginalisation.

– Spending that focuses on the broadest base, with allocation between levels taking into account how widespread progression through the system is, and significant investment in early childhood and primary education.

– Investment in quality, with a focus on well-trained and well-supported professional teachers.

Spending to redress disadvantage

Inequality outside the education system has a huge impact on access to quality education. While patterns of inequality vary between countries, based on historical, geographical or economic factors, common bases of inequality include rural/urban divides; family income poverty; gender; disability; ethnic, religious or language identity; and location. The EFA Global Monitoring Report has highlighted that in Senegal, urban children are twice as likely to be in school as rural children. In Indonesia, the school attendance rate for children with disabilities is almost sixty percentage points lower than for children without disabilities. In Guatemala, children living in slums have the lowest school attendance rates.[87] When these different identities intersect, the chances of being denied an education rise considerably. In Ethiopia, for example, 88% of the poorest young women have not completed primary school, while nearly all rich urban males have.[88]

The question, therefore, is how spending should not only take this into account, but make efforts to redress it. Equitable financing in education is often seen as synonymous with equal per capita (often, per pupil) transfers. But addressing existing inequities may require affirmative action for marginalised groups; the greater the degree of disadvantage, the greater the support needed. Rural children, for example, may need assistance with transport to reach school. Poorer areas may be more in need of school feeding programmes. Children with disabilities or from language minorities may need additional resources or teachers with specific training.

It is also crucial to take into account the numbers of out-of-school children. Education financing decisions are often based on per-capita approaches that allocate resources almost entirely to reflect numbers of children in school. This can mean that schools or school districts in disadvantaged areas, where there is a higher concentration of out-of-school children, can be systematically disadvantaged in their efforts to attract these children into school and keep them there. In Kenya, for example, a recent study found that the arid and semi-arid regions, which are home to only 18% of Kenya's primary school-age children, but 46% of those who are out of school, are systematically disadvantaged by spending allocations. The paper recommends attaching greater weight to numbers of out-of-school children and other indicators of

disadvantage (including the depth of poverty) in determining budget allocations, balancing this against straightforward per capita transfers to produce a more redistributive approach to financing.[89]

Another way in which inequality can be built into financing formulae is through extensive decentralisation of financing: when revenues must be raised locally, the poorest regions can emerge doubly disadvantaged, in that they have both the greatest need and the smallest financing base. National funding formulae must take account of this.

There are positive lessons from some countries which have committed to the reduction of inequalities, and explicitly address that in their education financing approaches. Gender audits or 'inclusion audits' of education budgets can help to highlight hidden inequity in spending. This also requires governments to produce disaggregated data and understand the characteristics of the children they are trying to educate. Countries such as Brazil explicitly make use of federal funding allocations to redress resource inequalities within the country (see Box 6), leading to better education for all children.

Box 6. Brazil: Education financing to redress inequity.

In Brazil, financing for education seeks to address broader national inequalities. The federal government uses a national formula to determine the share of state taxes to be assigned to education in the decentralised revenue system. This is coupled with an education funding formula aimed at tackling inequality across regions. Wealth disparities between states lead to varied capacity to mobilise resources. Average income in poor northern states such as Pará, Ceaará and Maranhao is less than half that in richer southern states such as Rio Grande do Sul and Sao Paulo. Without central government transfers through an education financing facility – the Fundeb – several poorer states would be unable to provide the required levels of spending. These transfers amount to around one-fifth of state spending on education in Ceara, rising to more than one-third in Para and Maranhao.[90]

Government norms also stipulate minimum levels of spending per pupil for each level of education, with higher levels of financing required for rural areas and disadvantaged groups such as indigenous people and black Brazilians. While these transfers do not equalise spending – per pupil financing in Sao Paulo is twice as high as in Maranhao – the explicit focus on tackling inequalities in the funding formula does significantly reduce the financing disparity.

These education interventions are also backed by the work of the Bolsa Familia programme in Brazil, which supports the poorest children to go to school by giving cash transfers, conditional on school attendance, to the poorest and most marginalised families.[91] The wealth gap in school attendance has narrowed: the average number of years spent in school by the poorest 20% of children has doubled – from four years to eight years – since the mid-1990s. The impact is also being seen in examination results: the 2009 Program for International Student Assessment (PISA) recorded a 52 point increase in Brazil's mathematics score since 2000 – equivalent to gaining a full academic year and one of the fastest increases on record.[92]

Many of these policy measures have come about due to years of campaigning by GCE's member coalition in Brazil, the Brazilian Campaign for the Right to Education, which was awarded the Darcy Ribeiro Prize in recognition of its leadership during the Fundeb formulation process between 2004 and 2007. The national coalition continues to campaign for the Federal Government to increase their involvement in managing the fund, while also advocating for an increase in the fund from the current $5 billion to $25 billion per year. The resources from the newly agreed oil 'fund', should help support an expansion of the programme to ensure more pupils complete basic education.

Sources: Beghin, N. 2008, "Notes on Inequality and Poverty in Brazil: Current Situation and Challenges", Brookings Institute, 2012: "Financing for a Fairer, More Prosperous Kenya: A review of the public spending challenges and options for selected Arid and Semi-Arid counties

The primary versus post-primary education conundrum

All governments must decide how much to spend on different levels of education. A more broadly equitable model would involve a concentration of spending at primary level – where enrolment is most widespread. In too many countries, however, the opposite is the case. Even when rates of enrolment above primary level are very low, a considerably higher level of spending per student can mean that a huge part of the education budget is spent on secondary or even tertiary education for a tiny part of the population – at the expense of the much bigger group who end up with a poor quality basic education.

Lesotho, for instance, has highly unequal education expenditure, with around 40% of the national budget being directed to higher education. In a country that spends a massive 12% of GDP on education, this equates to vast sums of the national expenditure being spent on a system of large bursaries and grants given to every pupil in higher education.[93] Given that a tiny proportion of people enter the university system, the majority of them from middle- and high-income households rather than from low-income households, this is inherently unfair, and entrenches existing inequalities.

Making spending more equitable therefore means that, whilst education at higher levels is typically more expensive per pupil or student (sometimes requiring more specialised teaching or equipment), there should be an effort to limit the disparity and thus invest more at lower levels. This would mean following the example of Peru, where average expenditure per pupil is only 1.08 times higher at tertiary level than at primary level, rather than that of Niger, where it is 20 times higher, or Malawi, where average spending per pupil at tertiary level is US $16,334, compared to just US $57 at primary level.[94]

An equitable approach to spending should also include a focus on investment in early childhood education, with a view to expanding access: recent research has demonstrated convincingly that investment in education in the early years has the most impact in terms of redressing inequalities.[95]

This is not to say, of course, that all spending needs to be directed to these early levels. As primary education expands, there is greater pressure for access to high-quality secondary education, and governments should be encouraging this by making it more and more available. The appropriate allocation, however, will have to be determined based on current characteristics: for example, in a country where only 2% of the population reach tertiary education, it is highly inequitable to have this soak up one third or more of the education budget. If all students reached this level, however, the calculation would be different. At present, the share of primary education in education budgets can range from 65% in Ethiopia to 19% in Botswana.[96] In line with the international targets, GCE calls for around half of education budgets – and a minimum of 10% of all government spending – to go to basic education.

Investing in quality

The other major part of the spending challenge in education is increasing quality at the same time as expanding access. Far too many children – up to half the primary school population in Africa, for example[97] – leave school without even having learned to read or write, let alone acquired the more complex analytical, critical or creative skills that should come with a good education. Poor quality also leads to repetition – itself a waste of resources – 11.4 million pupils repeated a primary grade in sub-Saharan Africa in 2010.[98]

A lack of well-trained, professional teachers – or often of any teachers at all – is a huge reason for this quality gap. As the numbers of children attending school swelled from the turn of the century, tight budgets led governments – often encouraged by donors – to try and get more for less out of teachers: recruiting low-qualified young people on low wages, skimping on training or even doing without it altogether, reducing wages and conditions, or expecting teachers to do the work of two people in classrooms of 50-plus. The results of this have been a disaster for the quality of education children are receiving in schools.

More than any other factor, teachers determine the quality of education a child receives and how much they learn in the classroom. A meta-study of research published from 1990 to 2010 found that a teacher's presence and knowledge had by far the strongest and clearest impact on students' test scores.[99] Put simply, if a child's teacher is not appropriately trained or if they are overwhelmed by the size of their class, the child will struggle to learn as well as a child in a small class, taught by a qualified and well-trained teacher.

At present, the UNESCO Institute for Statistics calculates a gap of 1.6 million teachers in the number needed to deliver Universal Primary Education by 2015; even among those teachers who are in place, the training gap is huge. There is also serious inequity in distribution: around 50% of primary school teachers in Ghana are trained,[100] for example, but in 1,700 primary schools there is no trained teacher at all.[101]

Teacher costs are by far the most important factor in education budgets, and increasing budgets overall should therefore increase spending on teachers. But it is important also to ensure that money is spent appropriately on adequate and appropriate training and support, and on the wages necessary to attract and retain professionals. Spending on salaries and training requires ongoing, reliable income streams: this is another reason why governments should look to increased taxation to finance their education expenditure.

Step 4.
Ensure Transparency and Accountability in Collecting and Spending Revenues

The final step in building a fairer education financing system is to increase transparency and accountability throughout the fiscal system: from revenue collection, to setting budget priorities, to monitoring spending. Going hand-in-hand with the commitment to raise greater revenues and spend resources 'fairly' is the need for more transparent and open budgeting processes (both collecting and spending) which actively engage organisations who represent the interests of the poor or marginalised.

Recognising that tax revenues (including those from multinationals and extractive industries) are citizens' *own* resources can play a crucial role in creating a healthier democracy and a sense of mutual responsibility to raise money and spend it well to support these needs. This can increase the incentive for public participation in the political process, which can create pressure for more accountability, better governance, and more efficient government spending. In the education sector, citizen engagement can ensure appropriate spending priorities, as well as help guarantee that money is spent as promised, while fighting corruption.

Effective spending in education requires public scrutiny of and participation in all stages of the process, at all levels of government, from local to national. For ordinary citizens to determine if the resources available for education are being spent in line with their needs and priorities, they must be empowered with sufficient information that is accessible and comprehensible to the public, about proposals, decisions and their impact. This needs to be achieved through greater transparency and openness at every stage, including revenue collection, budget-setting and budget execution.

Revenue collection and budget setting

The budget set out by a government gives an indication of government priorities and also how the government intends to make decisions about the use of the limited resources available for education. These decisions have a huge impact on the educational opportunities of children, young people and adults. It is vital to ensure, when there are competing demands on budgets, the needs of poor people do not get side-lined, especially as they are often unorganised and voiceless in policy debates. Engagement from civil society coalitions in budgetary processes, as representatives of these marginalised groups, is therefore crucial to ensuring all voices are heard in these important decision-making processes.

Decisions made behind closed doors can too often favour the more powerful, or simply the more visible, at the expense of marginalised populations. Sometimes governments may simply not have the reach to understand the real needs on the ground throughout the country. The most effective approach is to use participatory budget processes, so that citizens can guide education spending decisions. At a minimum, governments should consult with parliament and with civil society – for example through structures such as the Local Education Group or a civil society consultation – at key points in the budget cycle.

Many organisations are involved in monitoring their governments' budgets in order to guard against corruption and to ensure that funds are being directed appropriately and spent effectively. The national coalitions that form part of the Global Campaign for Education already play a vital role in monitoring spending on education (see Box 7). Some civil society organisations are also starting to play more of a role in monitoring the revenue collection side of budget-setting. Identifying potential new streams of financing that can be spent on targeted areas for social good is a critical role for civil society to play. So while advocating for greater revenues to be collected from tax or the extractive industries, it is important that civil society organisations clearly articulate a vision of this as focused on scaling-up spending on public goods, like education for the poorest (and be clear that measures must be put in place to stop this funding lining the pockets of corrupt officials).

Without knowing how much revenue is being raised and from where, people are less able to make proposals about how the money should be spent. This requires widespread sharing of information not only about revenues raised but also revenues forgone, for example, through the provision of tax incentives or mining exemptions to large companies or individuals. This can foster the involvement of the public in setting a vision for revenue collection, and determining who should pay for what in a fair system.

When civil society groups are armed with information on how to raise tax revenues more fairly (including from multinationals and extractive industries), and have developed concrete suggestions on how this revenue could fill gaps in the provision of key services for the poor and marginalised, this helps to situate tax as a positive force for development and a deepening agent for democracy.

Budget execution

Once budgets are determined, citizens must have knowledge of budget allocations, and information about spending, in order to be able to hold their government to account for commitments. This can take place through initiatives such as a 'citizens' budget' (a non-technical and simplified version of the budget in everyday language). At a minimum, countries need to publish all key budget documents and provide a comprehensive breakdown of all government expenditures and revenues. Often, civil society organisations themselves take on responsibility for this dissemination of budget and spending information (see below for examples from within the GCE movement), but it requires some level of transparency and openness from governments for them to access the information.

Box 7. Global Campaign for Education's budget work in action

Many Global Campaign for Education (GCE) members carry out budget advocacy and budget tracking as a core part of their work. Since 2009, GCE and regional partners (ANCEFA, ASPBAE, CLADE, Oxfam, ActionAid, Education International and ACEA) have been running the Civil Society Education Fund (CSEF), with funding from the Global Partnership for Education (GPE) and the Australian government. CSEF supports national civil society education coalitions in mostly low-income countries to carry out advocacy activities including those relating to budgets. Some examples of budget work include:

In Sierra Leone, **Education For All Sierra Leone** (EFA-SL) raised both parliamentary and public awareness of limited government budget allocations for education through a range of advocacy activities, including convening meetings in collaboration with other CSOs and District Budget Oversight Committees, direct work with parliamentary representatives, and publishing an analysis of the education budget from 2005-2011. In particular, they focused on weak funding for teacher salaries. This contributed to increases in the education budget and in teacher pay agreements.

The **National Coalition for Education** (NCE) – Nepal, ran a public campaign calling on the government to increase education spending to 20% of the total budget. They launched the campaign with a street rally, ran a media campaign and held a mass signing of the campaign demands. The government subsequently increased education spending from 16% to 17.1% of the budget.

In the Dominican Republic, the **Foro Socioeducativo Republica Dominica** manages an Education Budget Watch project. Their regular "Education Watch Bulletin", launched in 2011 and including analysis of education budgets, is disseminated widely to government, civil society, parents, teachers, the media and international organisations. Through the Education Watch, the Forum has helped amplify calls for the government to meet its commitment to spend 4% of GDP on education. The Ministry of Education wrote to the Forum stating that "without a doubt" the monitoring activities such as Education Watch are "real contributions to the content of the debate on education issues."

In Burkina Faso, the **Coalition Nationale pour l'Education Pour Tous** set out to raise awareness of the gender impact of education spending decisions and influence these to be more gender sensitive. By producing a gender budget report that was presented to ministers and parliamentarians, they managed to ensure that the impacts of education spending decisions on girls and women received a greater profile in policy-making decisions. Ultimately, through these sessions they managed to secure a commitment from the Education Ministry to establish gender sensitive participatory education budgets.

For more information, visit www.campaignforeducation.org/en/building-the-movement/civil-society-education-fund.

International transparency and support to tax collection capacity

This transparent sharing of information at national level must be mirrored at a global level in the international tax system. The current system is opaque and obscure, allowing billions of dollars in public resources to leak out of low- and middle-income countries. Tax avoidance by multinational corporations is made possible by a lack of transparency in the way they report and publish their accounts. It is almost impossible to work out from their published accounts if they are paying the right amount of tax in the right places – leaving governments in the dark about whether they are getting a fair tax payment from companies operating in their borders. Increased transparency across all countries would act as a big deterrent for companies who currently siphon their profits into tax havens. It would make it easier for developing countries' tax authorities to detect irregularities.

Government attempts to track – and recover – what they are owed are made even more difficult by the lack of capacity in many tax authorities to review the sometimes voluminous data to take action on tax dodging. Multilateral tax agreements would make things much simpler, by removing the need for every government to negotiate bilateral tax agreements with each country. There also needs to be investment in cross-border partnerships, technical assistance and sharing of expertise, encouraging knowledge and technology transfer to improve tax collection in many countries.

Better international transparency standards can also help make the relevant information available to civil society. This will give civil society the power to hold their governments to account and ensure that companies are paying their taxes and that this money will be used to pay for public services like education.

Conclusions and recommendations

Despite the recognition, dating back more than 60 years, that everyone in the world has a right to education, and promises, dating back nearly 15 years, that governments will provide the quality education necessary to realise that right, we are still a long way from achieving education for all. Progress has been made, but securing a quality education for every child in the world – including for the 127 million who are currently excluded from any education – will require a significant increase in investment. We still need another US $38 billion per year to fill the financing gap in early childhood, primary, lower-secondary and basic adult education.

The good news is that this financing is accessible. Even in an uncertain economic context, reliable financing streams to support education can be found nationally – as they must be, if states are to fulfil their duty to respect, protect and fulfil the right to education. What is needed is a fairer tax system – where big companies pay their fair share, and where natural resources are converted into lasting benefits for all citizens by funding public education systems. At the same time, resources can be made to go further by designing spending to target inequalities and increase quality (with a particular focus on professional teachers), and by ensuring the transparency and openness necessary to allow citizen oversights of revenue, budgets and spending.

Greater citizen awareness of and pressure for tax justice, including through high profile global cases of tax dodging, have moved it from a marginal issue into the mainstream. Transparency and tax are becoming regular agenda items at international discussions including G20 and G8 summits, and national tax reviews are becoming more common. In this context, the Global Campaign for Education is calling for a strong focus on equitable revenue collection and spending in order to provide the finances necessary to make the right to education a reality.

National developing country governments should:

- Allocate a minimum of 20% of national budgets to education, and ensure that at least 50% of this is dedicated to basic education, with a much higher percentage where necessary (i.e. where there are still large gaps in quality and access, and few children progressing beyond primary level).
- Begin to build more progressive systems of taxation, which can shift increased resources towards supporting Education for All, and decrease inequality in societies; this should be a particular priority in many middle-income countries.
- Review tax and royalty agreements in the natural resource sector, ensuring that there is a significant national gain through revenue to government. Account separately and transparently for these revenues, and dedicate a significant proportion to education, which is essential to diversify the economy and avoid the resource curse.
- Review tax holidays, analysing the impact on government revenues and weighing possible gains against the loss to education (including the future economic impact of education) and other sectors. Tax incentives should be limited, and the revenue saved invested in education and other vital public services.
- Finance and empower tax administrations to scrutinise tax bills by companies and identify where tax is not being paid fairly.
- Develop funding approaches and formulae that target out-of-school children, and compensate for disadvantage through weighted funding.
- Review budget proposals and spending for differential impact on girls and women and other disadvantaged groups, through gender audits and inclusion audits. Allocate specific budget lines to meet the needs of disadvantaged groups where necessary.
- Develop costed workforce plans, agreed with parliaments and civil society, to meet the full gap in trained teachers and deploy those teachers equitably and build these into education spending plans.
- Open planning and budgeting processes to civil society organisations, including teachers' unions, for example through participation in official government-partner groups in the education sector (e.g. Local Education Groups).
- Report regularly and transparently on budgets and spending in education, making clear the allocations to district/province and local level, so that spending can be tracked by communities and civil society organisations.

The international community should:

- Agree new international rules to prevent tax avoidance, with a focus on ensuring that developing countries receive the taxes they are due.
- Agree new rules and coordinate action to improve global tax transparency, by ensuring that multinational companies' accounts are public and their information readily and simply available for developing countries to scrutinise and assess tax liability in their jurisdiction.
- Support media and civil society capacity and activity to monitor and participate in revenue collection decisions, budget setting and budget execution.

Civil society organisations should:

- Ensure a public debate on tax incentives offered and other deals done with multinational companies.
- Hold companies accountable for the revenues that they withhold from education through tax avoidance or special deals with the government.
- Represent and bring citizen voices into debates about education spending priorities and formal budget-setting processes, with a particular focus on ensuring equity and quality.
- Carry out reviews of education budgets and spending in terms of their impact on equity and marginalised populations.
- Track spending in education and hold governments to account for spending promises.

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GCE is a civil society coalition that calls on governments to deliver the right of everyone to a free, quality, public education. Operating in 97 countries with members including grassroots organisations, teachers' unions, child rights groups and international NGOs, its mission is to make sure that States act now to deliver the right of everyone to a free, quality public education.