

**THE STATE OF EDUCATIONAL FINANCE
IN ETHIOPIA: A SHORT SURVEY**

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I. Introductory Remarks

In recent years the poor performance of secondary school students in the Ethiopian School Leaving Certificate (ESLC) has generated a good deal of public discussion. The Ministry of Education and the Council of Ministers have also expressed their concern over the quality of the schools and have asked for a thorough review of the state of the secondary schools.

Table I below summarizes the results of Government school candidates in the 1958¹ ESLC examinations. Passes at the various levels, percentage passes at C level, and percentage failures in all subjects are shown.

TABLE 1
Performance of Government School Candidates, 1958.

SUBJECT	Number Sat	A	B	C	D	F	%C+	%F
Amharic	1596	13	304	608	444	227	58	14
English	1603	34	251	335	361	622	39	39
Maths "A"	1485	74	171	200	240	800	30	54
General Science	817	49	94	114	123	437	31	53
Maths. "B"	322	14	55	62	69	122	41	38
Geez	25	2	4	1	1	16	32	64
Geography	865	1	71	166	230	397	28	46
Eng. Literature	257	1	20	83	80	73	40	28
French	61	3	9	13	9	27	41	44
Biology	919	27	143	168	147	434	37	47
Chemistry	433	17	71	64	77	204	35	47
Physics	347	52	48	33	35	179	38	52
Book-keeping	214	27	84	33	9	61	67	29
History	604	1	11	122	192	278	22	46
Commercial Maths.	73	3	6	8	14	42	23	58
Economics	134	3	28	60	24	19	68	14
Total	9755	321	1370	2071	2055	3938	39	40

1. According to the Ethiopian Calendar. 1958 E.C. may be reckoned (very roughly) as 1966 in the Gregorian Calendar.

Except for Amharic, Book-keeping and Economics, the percentage of passes (at "C" or better) in all subjects is below 50%. The results in the principal subjects are even more discouraging. (Book-keeping and Economics are minor papers in the sense that relatively few candidates sit for those papers).

Moreover, the results have not been improving from year to year. Indeed, in most cases the trend has been in the opposite direction.

Table 2 shows the percentage of passes (D and above) for regular candidates in 1958 and 1957.

TABLE 2
Comparative Performance 1957 and 1958.

SUBJECTS	% at "D" Level	
	1958	1957
Amharic	83.00	73.00
English Language	60.00	71.60
Mathematics "A"	46.00	56.10
General Science	47.00	55.80
Mathematics "B"	62.00	58.50
History	52.00	63.60
Geography	54.00	65.20
English Literature	76.00	77.80
French	69.00	65.00
Biology	54.00	56.10
Chemistry	53.00	77.00
Physics	49.00	69.90
Book-keeping	70.00	66.66
Geez	38.00	61.01
Commercial Maths.	37.00	34.70
Economics	85.00	76.32

The performance of the private candidates and most of the private schools (with the notable exception of such schools as Saint Joseph's and Nazareth) is even worse. In fact, as stated in the 1958 report of the Director of the ESLC to the Ministry and the University, the condition of almost all the private schools is such that the Government has the duty and the responsibility to protect students and their parents by enforcing minimum standards. Many of these schools, especially those in Addis Ababa, are hardly more than profit-making business enterprises.

The writer realizes that the ESLC is not a perfect criterion for assessing the quality of secondary education. However, it is worth noting that a recent (1958) study conducted by the Ministry of Education showed (much to the Ministry's surprise!) that, although there was a high correlation between grades given by Ministry markers (Secondary school teachers) and grades given by the regular ESLC markers (University lecturers), where there was a discrepancy between those two sets of grades, it was mostly because the Ministry readers were more demanding than the ESLC readers.

Granting the inadequacies of the ESLC (and indeed of any comparable examination), one can still ask: what is wrong with the secondary schools? To those of us who have been professionally associated with those schools, the answer is clear and unequivocal.

The examinations confirm for us what we have been able to see from our everyday contacts with the secondary schools; namely, a gradual deterioration of practically every aspect of secondary education: teachers, students, syllabi, facilities (equipment, library, physical plant) and administration. It will not be possible to discuss any of those factors in this paper. The paper will deal only with the overriding factor which dominates all of the above; namely, *finance*. The paper will attempt to answer the question: what is the state of educational finance in Ethiopia?

II. Educational Finance

Educational finance is such a vast and complicated subject that it will be difficult to treat it briefly but justly, especially for one who, like the present writer, does not know the situation from the inside. It is therefore very important to bear in mind that:

- (a) This paper does not necessarily represent the views of the Ministry, the Government in general, or the University—the paper is to be viewed as the study of the writer in his purely private capacity as a University lecturer who has a professional interest in the subject; and
- (b) the paper is meant only to *introduce* the subject so that others will conduct a more thorough and definitive study of the subject.

The paper will examine briefly the following areas:

- A. The Government's Budgetary Allocation for Education.
- B. The Education Tax.
- C. External Assistance.
- D. The International Development Association (IDA) Loan.

The Ministry machinery for the compilation of records and statistics is quite unable at the present time to guarantee the accuracy of even the most uncomplicated statistics (like those giving the number of teachers on the Ministry payroll). Nonetheless, this writer, after checking and double-checking his own figures, now believes them to be reasonably correct, and in this connection it should be noted that those figures are meant to give a broad picture of the situation and trend of events rather than a detailed account of the separate items under consideration.

A. The Government's Budgetary Allocation for Education

1. The size of the Budget

Table 3 contains the total elementary and secondary school enrolment (for Government schools only) for the period 1954-1957 and the corresponding *approved* budget (excluding education tax and foreign aid, which will be dealt with later) allocated for education from the Central Government Treasury.

TABLE 3
Comparison of Government School Enrolment and Education Budget

YEAR	ENROLMENT		Total	BUDGET*	
	Elementary	Secondary		Eth. \$	
1954	180,533	25,038	205,571	16,244,056	
1955	204,410	28,740	233,150	16,137,049	
1956	234,440	33,398	267,838	19,471,695	
1957	257,436	40,305	297,741	20,850,395	

Source: Compiled from various Ministry of Education documents.

* Exclusive of Education Tax and Technical Assistance.

Although the Government's budgetary allocation for Education rose from approximately 16.24 million Ethiopian dollars in 1954 to 20.85 million Ethiopian dollars in 1957, the *percentage* of total Government *expenditure* on education from domestic sources did not change significantly during that period.

Those percentages are as follow (Table 4):

TABLE 4
Expenditure on Education as % of Government Expenditure from Domestic Sources by Year

YEAR	PERCENTAGE
1950	11.4
1951	12.1
1952	10.9
1953	11.2
1954	11.0
1955	11.8
1956	10.5
1957	11.7

(Source: Compiled from figures supplied by the Ministry of Planning and Economic Development.)

Two major conclusions can be drawn from the foregoing statistics:

- (a) The Education budget (in raw figures) failed to keep pace with the increase in school enrolment, and
- (b) The percentage of Government expenditure remained almost static during the eight years 1950-1957 although school enrolment practically doubled during that period (156,860 in 1950 compared to 297,741 in 1957).

2. Discrepancy Between Approved Budget and Actual Expenditure

Two important observations could be made with regard to the above:

- (a) There is a significant discrepancy between the budget request submitted by the Ministry on the basis of its estimated needs, and the budget *approved* by the Government, and,
- (b) further, there is a discrepancy between the *approved* budget and the budget actually available for *expenditure*.

Table 5 contains figures which illustrate the observations made in (a) and (b) above.

TABLE 5
Comparison of Requested Budget, Approved Budget and Actual Expenditure.

Year	(A) Budget Requested	(B) Budget Approved*	A — B	(C) Actual Expenditure	B — C
1954	27,733,140	16,244,056	11,489,084	13,410,509	2,833,547
1955	21,729,606	16,137,049	5,592,557	13,812,128	2,324,921
1956	23,613,514	19,471,695	4,141,819	17,299,637	2,172,058
1957	31,932,335	20,850,395	11,081,946	19,224,715	1,625,680

(Source: Compiled from Ministry of Education figures.)

* Central Treasury Funds only (excluding education tax and foreign aid).

(a) **Approved Budget**

The significant cut (as much as 40%) in the Ministry's budget request means that the Ministry's attempt to implement its plans will be jeopardised. Since salary commitments (about 45% of the approved budget) and students' stipends cannot be meddled with, it is the educational program proper that is affected most by the budget cuts. This means that very little money is available for the purchase and/or preparation of textbooks, laboratory equipment, library books, maintenance of buildings, etc. (No precise figures are available but it seems that the amount available annually for education proper is below Eth. \$ 2 million). And of course, there is hardly any money left for salary increments.

(b) **Actual Expenditure**

Not only is the Ministry's budget request cut by as much as 40% but the Ministry cannot even spend all of its approved budget. On the average the Ministry of Education forfeits approximately Eth. \$ 2 million simply because it cannot get the money in time to spend it. As funds for recurrent expenditure are not transferable from year to year, the Ministry of Education loses all funds that were not transferred to its account by the central and provincial treasuries before the end of the fiscal year. Such a set-up encourages delays, and, in fact, it is said that provincial treasurers (*Bejuronds*) are sometimes evaluated on the basis of the amount of money "saved" for the Government through all sorts of delaying tactics. Some *Bejuronds* are known to delay even the payment of salaries, even when they have the money in their safes, until the teachers threaten to go on strike.

Senior Ministry of Education officials and Provincial Education Officers spend a good deal of valuable time in the *Bejurond's* office literally begging the official to provide them with funds which have been allocated for the schools and which are theirs to spend. This certainly contributes to the demoralization of the teachers in the provinces and makes it almost impossible for education officials to purchase text-books and other teaching materials on time.

3. **Purchasing Procedure**

Before we close this section on the Government's budgetary allocation for education, it is necessary to note another difficulty faced by the Ministry with regard to the expenditure of its budget. This has to do with the regulations and bureaucratic formalities involved in purchasing procedures.

The regulations of the Auditor-General's Office require all Government Agencies (including the Ministry of Education) to do their purchasing by inviting public bids, and when the amount involved is over \$10,000 to return the public bids to the Auditor-General. Needless to say, delay, often involving several months, is the inevitable result. Bids submitted to that Department four months before the beginning of the 1958 school year were not processed in time for the Ministry to purchase essential school supplies and stationery before the re-opening of the schools. Half-way through the first semester they had still not been processed. And, of course, the money set aside for this purpose will have to be forfeited since a new fiscal year has started (and recurrent expenditure is not transferable to the following fiscal year). The Ministry will have to pay for this item from its 1959 budget, thus creating a chain reaction of deferred obligations.

B. **Education Tax**

Some eighteen years ago the Government introduced a special land tax for the support of elementary education so that elementary education would be the

responsibility of the provinces while the Central Government would continue to finance secondary and higher education. Several observations could be made with regard to the Education tax:

1. The amount collected from the education tax has not kept pace with the increase in school enrolment. In fact, the revenue has not changed at all since it was first introduced.
2. The education tax is very clearly insufficient to support elementary education. During the past four or five years, the tax has averaged only about a third of the total expenditure on elementary education. On the average, about Eth. \$5 million is collected in education tax from all the provinces. The average expenditure of the Central Government on elementary education alone is approximately Eth. \$10 million.
3. The education tax is levied only on arable land, while most of the elementary schools are located in cities and towns. Thus farmers pay for the education of the children of city-dwellers. This is clearly an untenable situation. Therefore, the tax will either have to be discontinued and the Government's contribution increased proportionately, or the tax will have to be increased substantially and city-dwellers required to contribute directly to the education of their children.
4. Sometimes the Provincial Education Officer cannot get the education tax on time.

Several educators feel that perhaps no special tax earmarked for education should be levied (especially if the proceeds of such a tax are inadequate to finance education) since this would create the false notion (psychologically) that the people are paying directly for the entire cost of elementary education. Such educators argue that the education tax should be amalgamated with the rest of the tax structure and education should then get its due share of public funds.

C. External Aid

It is rather difficult to ascertain the precise amount of external aid earmarked for education but the available information indicates that it is quite substantial, especially since 1955 (the year the Peace Corps Operation started). The cause of this difficulty lies especially in the fact that most foreign assistance is in the form of staff, scholarships and/or equipment, and very rarely in the form of direct cash contributions. Since (except for Peace Corps and other volunteers) most of the technical assistance staff is paid at the rate of international salary scales (e.g. UNESCO) or on the prevailing salary scales of the donor country (e.g. USAID), any attempt to convert the technical assistance in kind to cash inevitably results in a major distortion of the nature and amount of the aid.

Table 6 contains a breakdown of foreign assistance estimates.

(Source: Technical Assistance Department, Ministry of Education):

TABLE 6

Estimates of foreign aid for education
by year and category

Year	E.C. Capital	Recurrent	Experts	Fellowship	Equipment	Others	Total
1954	350,000	759,000	337,500	431,500	630,000	110,000	2,617,600
1955		7,584,000	569,000	378,475	1,510,000	498,750	10,540,225
1956	2,625,892	9,478,500	533,750	751,200	1,170,000	62,500	13,621,842
1957	—	8,533,000	1,004,350	1,077,450	604,250	64,375	12,533,425
1958	388,675	10,418,690	1,711,500	1,087,700	566,025	219,750	14,392,340
Total	3,364,567	36,773,190	4,156,100	3,725,925	3,480,275	955,375	53,705,432

It is worth noting that salaries ("recurrent" and "experts") take up approximately 41 of the 53.7 million dollars of the foreign assistance estimated for the period 1954-55.

- (a) Recurrent expenditure refers to salary of expatriate teaching staff paid by the donor countries.
- (b) The Eth. \$2.6 million for capital expenditure in 1956 went mostly to the financing of the girls' dormitory at the French Lycée.
- (c) The table includes only formally agreed assistance (hence German, American, etc. schools are excluded).
- (d) Technical assistance for the University is not included (except the Special Fund Project in the Faculty of Education).
- (e) The figures are as provided by the donor countries. They refer to budgets and not necessarily to actual expenditure.

Table 7 contains a comparison between the approximate total Government budget (including the education tax) and the yearly estimate of foreign assistance:

TABLE 7
Foreign assistance for education in relation to Education Budget.

YEAR E.C.	Education Budget (approx.)	Foreign Assistance	% (Approx.)
1954	20.7	2.6	12
1955	20.9	10.5	50
1956	24.8	13.0	52
1957	26.7	12.5	47

Table 7 (above) is rather misleading since the comparison is between the education budget and very rough *estimates* of foreign assistance which are almost always substantially bigger than the amounts actually spent. Nonetheless, even though the percentages should be decreased (by perhaps as much as 20% for the years 1955, 1956, 1957), the general trend which Table 7 shows is quite valid. The Government is becoming increasingly dependent on foreign aid (Peace Corps being responsible for a substantial amount of this dependence) in financing education. The obvious conclusion to be derived from the table above is that a major cut in foreign assistance would result in a serious dislocation of the Government's educational effort.

D. The International Development Association (IDA) Loan

Faced with a sharp increase in the enrolment of secondary school students (and no proportional increase in the Government's budgetary allocation), the Ministry of Education decided to borrow money from IDA to cater for the expansion of the secondary system and in particular to equip and upgrade the various "secondary schools" that had mushroomed all over the country. Moreover, with the IDA loan, the Ministry hoped to diversify the curriculum of the (new) junior secondary schools (Grades 7 and 8) so that the academic orientation of the secondary school system would be balanced with a healthy dose of practical subjects (commercial, technical, etc.) It was felt that this would in turn enable the students to choose the stream most suited to their ability and interest when they later joined the comprehensive (senior) secondary schools (grades 9-12) for a more specialized course in their chosen field of study.

After negotiations that lasted for several months, during which the Ministry's original requests were drastically reduced (students and staff housing suffered the

most), the IDA agreed to provide the Government with a long-term, low-interest loan, totaling approximately Eth. \$27.6 million, as follows (Table 8).

TABLE 8
Approved IDA Loan by Category
(Approximate Amounts in Millions of Eth. \$)

ITEM	AMOUNT
Junior and Secondary School	21.8
Staff Housing	0.6
Student Hostels	1.0
Trade Education	2.7
Practical Subject Teacher Training	0.7
Elementary School Teacher Training	0.8
	<hr/> 27.6

The following brief remarks may be made with regard to the IDA loan.

1. The loan will not in any way answer all of the Ministry's financial troubles. By equipping the laboratories and libraries of the provincial "secondary schools," many of which now exist in name only, the loan will do what the Government and the Ministry should have done at the time those schools were opened.
2. Since the blueprint for the expansion of secondary education through the loan was based on the existing distorted distribution of elementary schools, the loan will inevitably contribute to the further distortion in the geographical distribution of the schools.
3. Notwithstanding the foregoing comments, the loan will be quite useful, especially for equipping school laboratories and for purchasing library books. In fact, without the loan the Ministry might not be able to spend very much money at all on education proper if the trend of the past few years gives any indication of the future availability of public funds for education.

III. Conclusion

In this paper an attempt has been made to examine educational finance as one of the important causes of the decline in the quality of the secondary schools and thus in the performance of the students in the ESLC. The ESLC measures the cumulative achievement of students, i.e. the result of twelve years of education, so that the whole educational set-up has to be in good shape if the ESLC results are to improve significantly:

The paper has shown that:

1. The Government's budgetary allocation in relation to the total Government expenditure has remained static for the last several years, even though student enrolment has practically doubled during the past ten years.
2. The Ministry has been a victim of large cuts (as much as 40%) in its budget estimates for many successive years, leaving very little for education proper (i.e. books, equipment, etc.).
3. The Ministry has suffered from cumbersome Government procedures with regard to budget expenditure and purchasing. These have resulted in:
 - (a) the Ministry forfeiting on the average Eth. \$ 2 million annually,

(b) delays of several months in the purchase of *essential* school materials and equipment with the little money that is available for this purpose.

4. The Ministry has found it necessary to borrow money, especially for capital expenditure, from the IDA to equip the new "secondary schools" and to diversify their curricula.

The consequence of this acute shortage of funds has been that the unit expenditure (excluding foreign aid) has been on the decline during the past ten years—from about Eth. \$ 145 per child in 1948 to about Eth. \$ 86 in 1957. This is quite a sharp drop, especially in view of the fact that the Government now spends very little for elementary school construction as most of this is now done by the communities themselves, with matching funds from the Swedish Government.

Obviously the Government has many other commitments and obligations besides education, and education will have to compete with the other national programs for its due share of public funds. Quite clearly, the Government is faced with a very difficult task. Certainly it cannot slow down school expansion, for at present Ethiopia has one of the lowest school enrolments (about 7.7% of the elementary age population and 1.5% of the secondary age population) in Africa. Elementary school enrolment at least will have to be increased. Perhaps the Government should reassess its commitment to free education for sixteen years and explore the possibility of a much shorter (and terminal) educational program of a largely rural nature. Though in many ways this is a defeatist attitude and must be recognized as such, it may nonetheless be a realistic assessment of the situation.

Whatever the future of Ethiopian education may be, the nation should not be led to believe that at present everything is fine with the schools, for in the final analysis it is how much the Government is devoting from its own resources that is the real measure of the national effort and commitment to education.