

Photo: © UNICEF/Mozambique

# Budget Brief 2016: Education

## KEY MESSAGES

- ▶ In July 2016, the State Budget that had been approved in December 2015 was revised to reflect the new macroeconomic context of the country. In this 2016 Revised State Budget, the Education Sector was allocated MT 44.4 bn, representing 18.2 percent of the 2016 Revised State Budget. This revised allocation represents a decrease of MT 1.5 bn compared to the original approved budget (MT 45.8 bn), which represented, at that level of financing 18.6 percent of the original 2016 State Budget. Both allocations show a decrease in the sector's weight relative to the 19.8 percent share in 2015.
- ▶ The overall Education Sector budgeting and spending is highly decentralized, with the districts receiving the greatest proportion of education resources. Donor funding to the sector, on the other hand, is highly centralized, with nearly 80 percent of all external funding being destined to the central level in 2016.
- ▶ The majority of the 2016 education budget was allocated to primary education, which is in line with policy priorities.
- ▶ The Education Sector habitually executes its budget at a higher rate than the State Budget average; yet, the sector's aggregate execution rate of 91.5 percent would be higher if not for the low average execution rate (71.1 percent) of external funds (financed by donors to the sector).
- ▶ Mozambique spends a greater share of its State Budget and GDP on education compared to the average of low income countries and sub-Saharan African countries, yet has primary and secondary education completion rates below the averages of both categories of peers.
- ▶ The poorest households benefit nearly as much from primary education as the richest; however, they benefit considerably less than the richest from secondary and tertiary education. Collectively across all three education levels, education spending is not pro-poor.
- ▶ Boys benefit more than girls from education spending, particularly for tertiary education.

## Introduction

**The original 2016 State Budget and Economic and Social Plan that were approved by Parliament on December 2015 were revised in July 2016 in response to changes in the country's macro-fiscal environment.** In the face of lower commodity prices, decreased foreign direct investment and foreign exchange inflows, increased debt burden, frozen disbursements from donor General Budget Support, halted IMF Stand-by Credit

Facility, additional required public spending to alleviate effects of widespread droughts in the south of the country, and a resulting devalued currency and revised inflation projection to 16.7 percent<sup>1</sup>, the Government of Mozambique revised the State Budget. Targets in the Economic and Social Plan were revised in accordance with the new expected spending levels.

Please note: UNICEF does not have access to e-SISTAFE (Mozambique's integrated financial management information system); therefore, all analysis was carried out with publicly available information. Where limitations were encountered, notes are made in the text. Moreover, the 2016 Education Budget Brief was prepared with the aid of MINED's "2016 Programa de Actividades" (PdA). There are some minor discrepancies between the totals presented in the 2015 Education Budget Brief and those presented in the 2016 edition. As new data sources became available, UNICEF revised its calculations; in this respect, it publishes the values in this edition believing these to be most correct.

1) LOE Rectificado, Documento de Fundamentação, 2016. Pg.2.



**18.2%** of the 2016 Revised State Budget was allocated to the Education Sector

## 1. How is the Education Sector defined?

The Education Sector, as defined by the National Directorate of the Budget (DNO) in the State Budget, is divided into two categories: General Education and Higher Education<sup>6</sup>. General Education consists of primary (EP1 and EP2), secondary (ESG1 and ESG 2), vocational, technical and adult education, as well as general sector administration. Higher Education includes universities and other higher-learning institutes. In addition to functional categories, the State Budget also captures the budgeting and expenditure of Education institutions at three different territorial levels: Central, Provincial and District.

**The Education Sector added six institutions at the central level in 2015 and 18 SDEJT units at the district level in 2016.** According to DNO, the six new institutions added to the Education Sector's institutional composition are: (i) Ministry of Science, Technology and Higher and Professional Education; (ii) Science Academy of Mozambique; (iii) Ethnobotanical Center for Research and Development; (iv) National Research Fund; (v) Center for Research and Technological Transfer for Community Development; and (vi) National Institute of Information and Communication Technology. The Central Level is now comprised of nineteen institutions, of which, the Ministry of Education and Human Development (MINEDH) captures the largest share of the educational budget, followed by Eduardo Mondlane University and the Ministry of Science, Technology and Higher and Professional Education. At the provincial level, the sector's composition saw the addition of the Provincial Delegations of Science and Technology. And at the District level there was an increase from 132 District Services for Education, Youth, and Technology (SDEJT) in 2015 to 150 in the 2016 Budget<sup>7</sup>.

**The Education Sector is one of seven priority sectors in the Mozambican Government's agenda for poverty alleviation and national development.** Sector planning is guided by the 2012-2016 Education Strategic Plan (PEE)<sup>8</sup>. The PEE prioritizes (i) inclusion and equity in access and retention, (ii) student learning, and (iii) good governance of the sector's programmes and resources.

**The original 2016 State Budget was worth MT 246.1 billion (bn), while the 2016 Revised State Budget is worth MT 243.4 bn, representing a 1.1 percent decrease.** In response to the altered macro-fiscal environment, in early-July 2016, the Government announced its plan to reduce the budget by MT 24 bn, equal to 10 percent of original value of the 2016 State Budget<sup>2</sup>; however, the decrease was by just MT 2.7 bn. This is in great part due to the fact that foreign donor funding, provided in foreign currencies, is now worth more in Meticaís than when the budget was first prepared, given the depreciation of the Metical. The budget cuts made were concentrated in the internally-financed investment category –which decreased from MT 41.3 bn to 28.9 bn– as all major construction projects have been put on hold<sup>3</sup>.

**Transparency of the Mozambican budget is in question and further fiscal austerity is expected following the disclosure of government guaranteed debt.** In April 2016, Mozambican authorities acknowledged over US\$ 2.3 bn in previously undisclosed Government guaranteed debt. Even before the revelations, the International Budget Partnership's 2015 Open Budget Initiative evaluated Mozambique as having "minimal budget transparency," with the country having scored just 38/100 (compared to the 45 global average) on transparency indicators; and "almost no public participation in the budget process," scoring just 2/100 (compared to the 25 global average) on participation indicators<sup>4</sup>. Nevertheless, Parliament and the Ministry of Economy and Finance have started to engage on initiatives to increase public participation in the budget process<sup>5</sup>. With the recent acknowledgement, the country's debt-to-GDP (gross domestic product) ratio stands at more than 90 percent, one of the highest ratios in sub-Saharan Africa. In the 2016 Revised State Budget, a majority of the Social and Economic (priority) Sectors received budget cuts, including Education. The Government will be expected to reduce public spending in the short- to medium-term in order to service the public debt to a sustainable level, which will likely affect priority sector spending in the coming years.

2) Speech by MoEF Minister, Adriano Maleiane, on July 7, 2016.

3) *LOE Rectificado, Documento de Fundamentação*, 2016. Quadro 7. Pg.19.

4) International Budget Partnership. Open Budget Initiative. 2015.

5) For example, in 2016 meetings were held between Government, Parliament and Civil Society to discuss how to improve participation and transparency, MoEF consulted CSO on how to improve the planning and budgeting cycle and the Citizen's Budget, Parliament brought on-board technical assistance to promote openness and participation, etc.

6) Organic classifierst

7) The 18 new SDEJT units were added in the following locations: Pemba, Inhambane City, Chimoio, Vanduzi, Macate, Nampula City, Larde, Liupo, Lichinga, Beira, Doa, Marara, Tete City, Quelimane, Derre, Luabo, Molumbo, Mocubela, and Mulevala.

8) The PEE implementation period was recently extended from 2016 to 2019.

9) MEDH. Education Strategic Plan (PEE) 2012-2016. Page 35.

Beyond these primary focuses, the education strategy also emphasizes post-primary education and its role in the country's economic development; diversification of school curriculum; introduction of technology in teaching; and improved management of education institutions and education systems at the district level<sup>9</sup>. The medium term vision offered by the PEE is broken down into annual priorities in the PES's education section, which in turn, serves as the basis for the elaboration of the education budget.

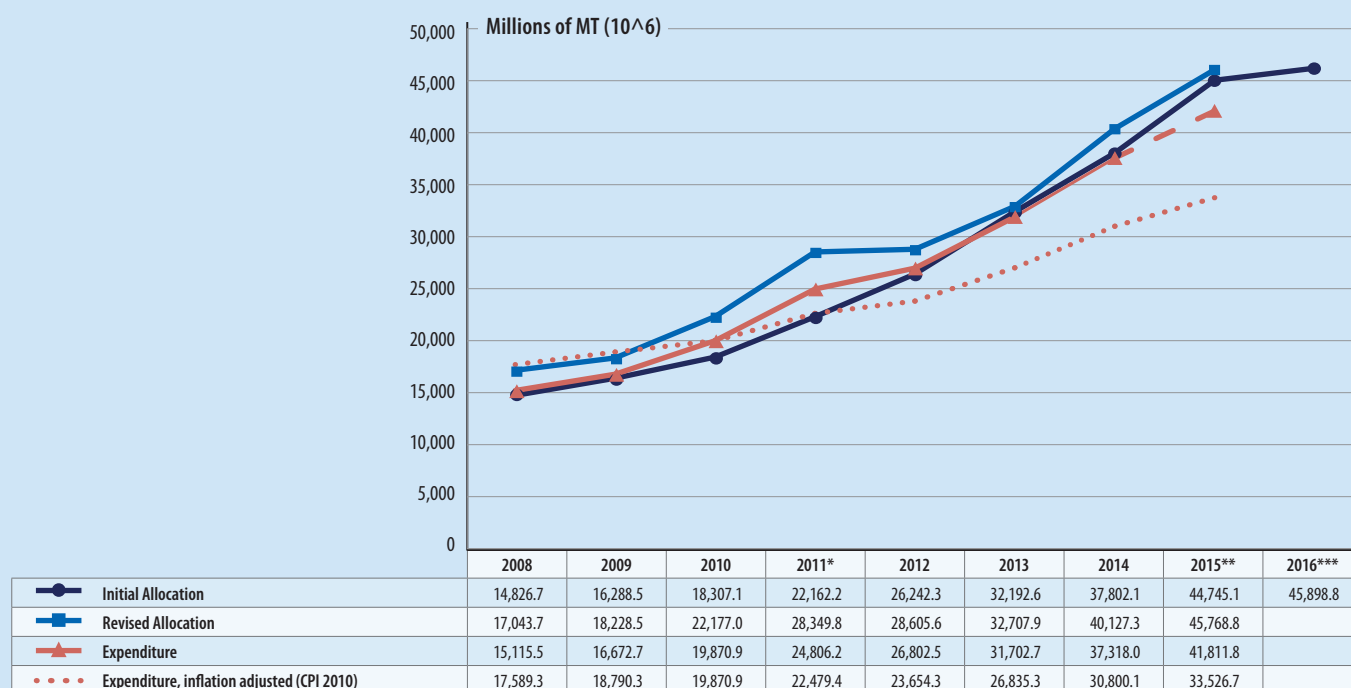
*In the 2016 Revised State Budget, the Education Sector was allocated MT 44.4 bn. This represents a 3.5 percent decrease compared to the original 2016 State Budget.*

## 2. What trends emerge from the Education budget?

The analysis presented in this Budget Brief is based on the original Education Sector allocation in the 2016 State Budget, which was implemented for more than half of the 2016 fiscal year, and is fairly similar in volume to the 2016 Revised State Budget. Text boxes throughout the Brief explain the differences between the original and revised budgets.

The Education Sector was originally allocated MT 45.8 bn (US\$ 980 mn)<sup>10</sup> in the 2016 State Budget. In nominal terms, this represents a 2.4 percent increase compared to the sector's 2015 initial allocation and a 9.5 percent increase compared to 2015 expenditure (see Glossary for definition of budget terms)<sup>11</sup>. However, in real terms (taking inflation into consideration), the 2016 initial allocation represents just a 4.8 percent increase relative to Education Sector spending in 2015 (see Figure #1)<sup>12</sup>.

**FIGURE 1** Education Sector budgeting and expenditure



**Source:** Author's calculations based on the CGE 2008-2014, REO IV 2015, LOE 2016.

**Note:** \* For 2011, the CGE lists total Education Sector spending to be MT 14,739 bn, however revised sector totals for 2011 include SDEJT district spending increasing the total to MT 24,806 mn. This revised expenditure total will be used to represent 2011 education spending for the rest of the report. \*\* At the time of writing, the 2015 public expenditures account has yet to be finalized; in this regard, it is possible the expenditure total is slightly larger than shown. \*\*\* While years 2008-2015 display expenditure figures, 2016 is the initial budget allocation.

10) The exchange rate used for calculations for the 2016 State Budget is US\$ 1 = MT 46.7, which was the average exchange rate for 2016 at the time of writing. The exchange rate used for calculations for the 2016 Revised State Budget is US\$ 1 = MT 66.6, which was the exchange rate on the date the revised budget was passed.

11) As mentioned in Section 1, the Education Sector's composition changed in 2015. Maintaining the same institutional composition as 2014, the 2016 initial allocation would represent 17.6 percent.

12) This calculation assumes a 5.6 percent inflation for 2016 according to the IMF's WEO 2016.

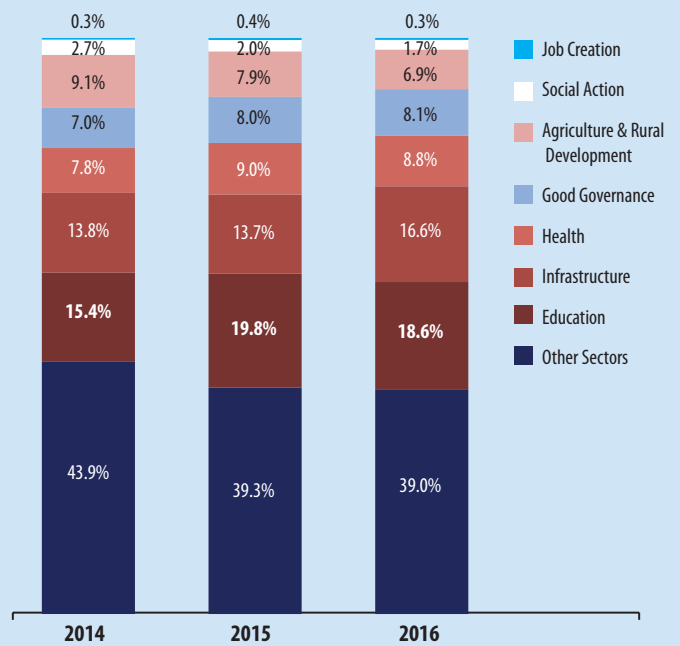
13) Shares were calculated using, as a denominator, the value of the total State Budget including debt-service payments, financial operations, and subsidies. It is important to note that the Government of Mozambique employs a different methodology to calculate priority sector shares by utilizing, as a denominator, the total State Budget excluding debt-servicing, financial operations, and subsidies. The Government of Mozambique thereby calculates a 22.1 percent share for the Education Sector in 2016.





Photo: ©UNICEF/Mozambique

**FIGURE 2** Weight of the Education Sector and other priority sectors



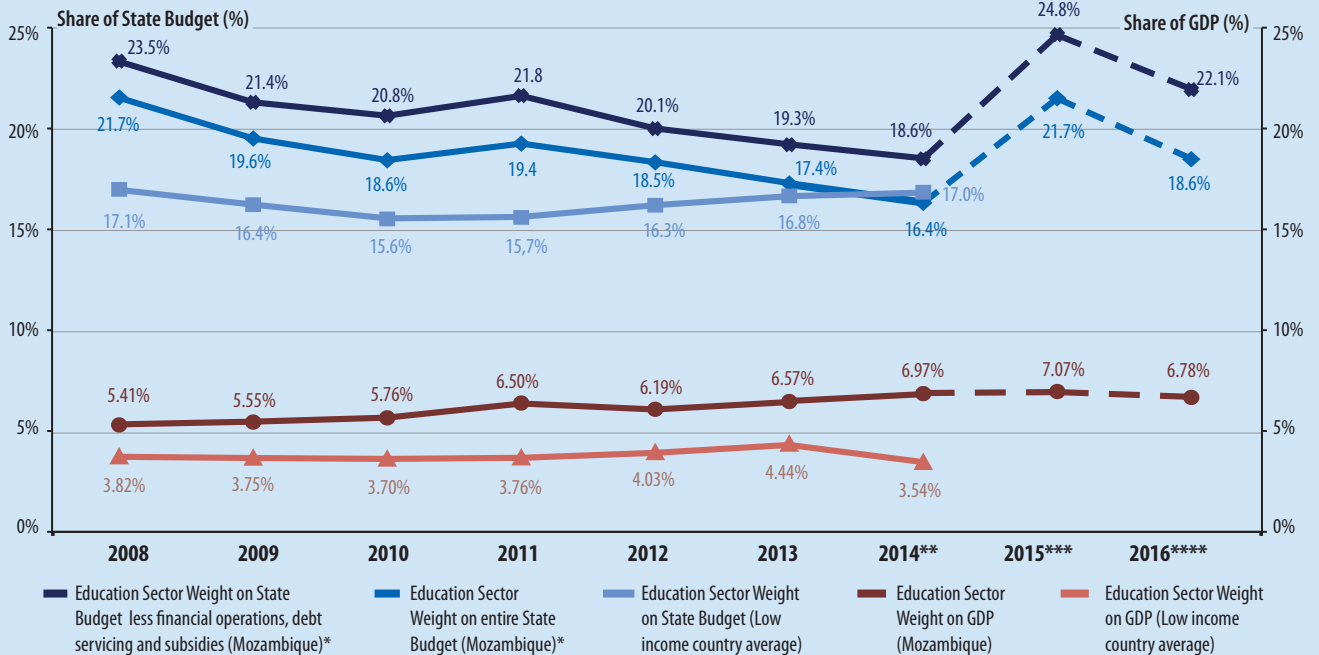
**Source:** The 2014 shares are based on the LOE 2014 Revisto and the 2015 and 2016 shares are based on the LOE 2015 and LOE 2016 and come from "Setores Económicos e Sociais" excel file provided by the Government. The Education and Health totals are the author's updated calculations.

**Note:** The figure shows the shares occupied by the initial allocations to the priority sectors; it does not show the sector shares that were executed. The "Other Sectors" portion represents non-priority sectors: General Public Services, Defense, Security and Public Order, Economy, Environmental Protection, Housing and Collective Development; and Recreation, Culture, and Religion.

**Education's share of the State Budget decreased from 19.8 percent in the 2015 initial budget to 18.6 percent in the 2016 initial budget<sup>13</sup>.** Despite a nominal increase in the total envelope of Education Sector resources, the sector's weight decreased due to the larger 9 percent nominal increase in the total volume of the State Budget between 2015 and 2016. Similar to the Education Sector's decrease in weight, the shares allocated to other Priority Sectors also decreased, with the exception of Infrastructure and Good Governance (see Figure #2).

**Mozambique spends a greater share of its State Budget and GDP on education compared to the average of Low-Income Countries (LIC) and Sub-Saharan African Countries (SSA).**

**FIGURE 3** Trends in the weight of the Education Sector



**Source:** Education Sector weights (Mozambique): Author's calculations using CGE 2008-2014; REO IV 2015; LOE 2016; and World Bank (WB), World Development Indicators (WDI), GDP (Current LCU). Education Sector weights (LIC): WB WDI, Government expenditure on education, total (% of GDP) & Government expenditure on education, total (% of government expenditure).

**Note:** \* These weights are different than those presented by the Government since it calculates weights out of the total public expenditure, excluding financial operations and debt servicing; the calculations presented include financial operations and debt servicing. \*\* LIC considers the average for all Low Income Countries for which there is available data. \*\*\* At the time of writing, the 2015 public expenditures account has yet to be finalized; in this regard, it is possible the expenditure total is slightly larger than shown. \*\*\*\* The 2016 shares are initial budget allocations while the 2008-2015 shares are expenditure.

14) The average of SSA countries is not represented in the figure. See UNICEF 2015 Education Budget Brief for a representation of the SSA shares.

In Mozambique the weight of the Education Sector, as a percentage of the State Budget, has averaged 19 percent between 2009 and 2016; LICs (across all regions) have averaged 17 percent and Sub-Saharan African countries (all income levels) have averaged 16.5 percent. Similarly, Mozambique expenditure on education is equal to 6.3 percent of the country's GDP, while it is equal to 3.5 percent in Low Income countries and 4.2 percent in Sub-Saharan African countries (see figure #3)<sup>14</sup>.

### 3. Where do the Education Sector resources come from?

The Education Sector in Mozambique is financed with both internal and external resources. The internal resources are collected through taxes, tariffs, duties, and internal credits, and are complemented by General Budget Support, which is un-earmarked development aid to the Mozambican Government from a group of 14 development partners (G-14). The external resources comprise other foreign aid, donations, and external credits.

In the Education Sector internal resources are: budgeted through the Medium Term Fiscal Plan (CFMP), negotiated with the Council of Ministers and Ministry of Finance and Economy, approved by the Parliament, and then utilized in accordance with the Economic and Social Plan (PES) and following the sector's activities plan (PdA). External resources applied to education fit

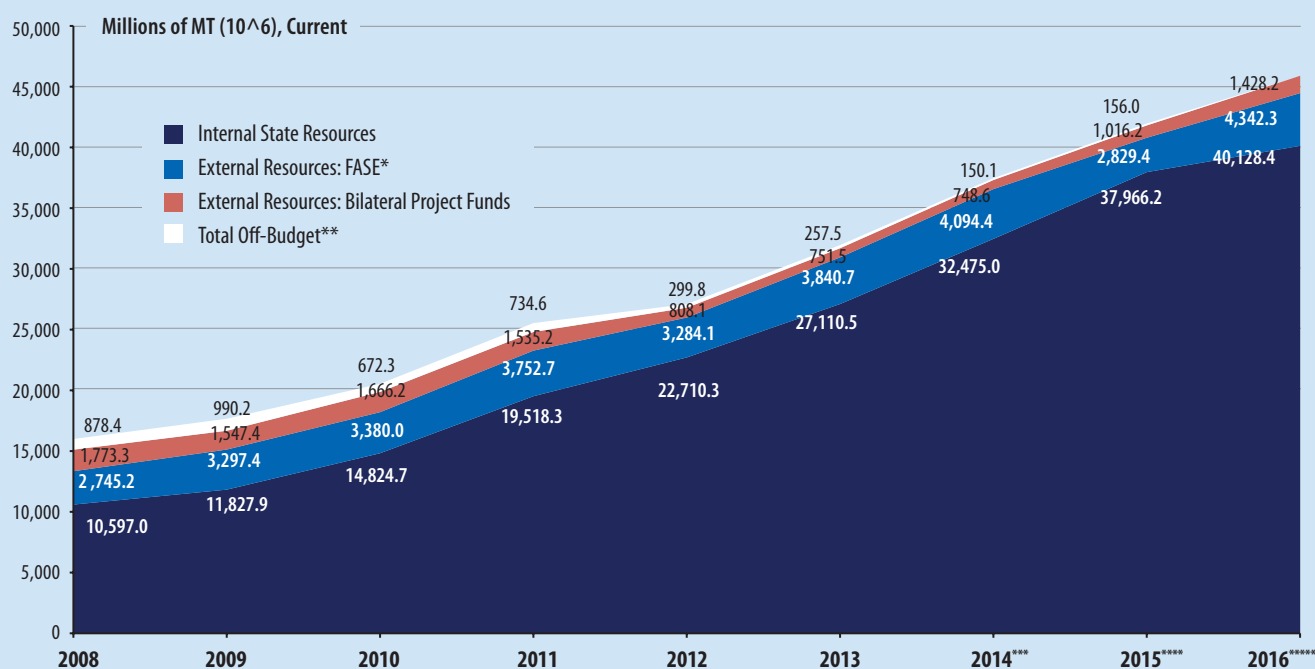
# 87%

of the sector budget comes from internal resources, and 13% from external resources (in both original and revised 2016 State Budgets)

into two categories: (a) "FASE contributions," which are donations from development partners (DP) to the multi-donor Common Fund for Education, and (b) "Bilateral Project Funds," which are all other DP grants and credits not channeled through FASE. FASE resources are utilized as if they were internal resources: they are inscribed on the budget and channeled through the single treasury account (CUT). On the other hand, bilateral project funds are coordinated between the donor and MINEDH and applied through a variety of modalities including: (i) direct government support with government-only or joint agency-government implementation, often "On-Budget, On-CUT"; (ii) agency or third party implementation, often "On-Budget, Off-CUT"; or (iii) agency or third party implementation, but "Off-Budget". One of the greatest challenges for MINEDH, and for budget/expenditure analysis in the sector, is the inconsistent or inexistent reporting by donors of their budgeting and expenditure on bilateral projects that are Off-CUT and Off-Budget.

**The Government has steadily increased its share of funding to the Education Sector. The portion of internal resources increased from 70 percent in 2008 to 91 percent in 2015** (see Figure #4).

**FIGURE 4** Education Sector resources: internal & external, on- & off-budget



**Source:** Internal and external state resources: Author's calculations from CGEs 2009-2014, REO IV 2015, and LOE 2016. FASE: CGEs 2009-2014, REO IV 2015, PdA 2016 (versions: December 2015 and June 2016). Total Off-Budget: ODAMOZ

**Note:** \* The initial value of FASE commitments is reflected in the figure together with the other initial allocations to the sector. The revised value of FASE commitments is MT 4.0 bn, the equivalent of US\$ 64.6 mn, according to the Education Sector's *Plano de Actividades*, version: June 2016. \*\* Total Off-Budget values must be interpreted with caution as ODAMOZ is a self-reporting system, thus there is potential for misrepresentation. \*\*\* For years 2014 and 2015, off-budget education expenditure is lower than actuality due to the fact that the ODAMOZ platform went off-line for a large portion of 2015 and donors were unable to report expenditures. \*\*\*\* At the time of writing, the 2015 public expenditures account has yet to be finalized; in this regard, it is possible the expenditure total is slightly larger than shown. \*\*\*\*\* Year 2016 represents the initial budget, while 2008-2015 represent expenditure.



Photo: ©UNICEF/Mozambique

*Similar to the Education Sector budget in the original 2016 State Budget, the sector budget in the 2016 Revised State Budget has a high recurrent-to-investment ratio; allocates the largest share of the budget to SDEJTs, followed by DPECs and MINEDH; as well as allocates the largest portion to primary education.*

In 2016, the ratio of internal to external resources is budgeted at 87 percent / 13 percent. In nominal terms, internal financing to the sector has grown nearly four times from MT 10.6 bn in 2008 to a budgeted MT 40.0 bn in 2016. While the growth of internal resources is partially in response to the decreasing external funding, the growth in internally-sourced funding has far outpaced the decrease in external.

**Contributions to FASE in 2016 are worth MT 4.0 bn (US\$ 64.6 mn) and represent nearly 10 percent of total education resources<sup>15</sup>.** In USD terms, contributions have decreased by nearly 50 percent in the past three years, nonetheless, FASE remains an important external funding mechanism, representing on average 14 percent of total external funding over the past eight years. The decrease is partly the result of a few donors leaving the fund. In 2016, the number of donors contributing to FASE decreased from 11 in 2015, to 8; yet, the withdrawal of these donors was compensated by the increased contributions by Germany and Finland<sup>16</sup>. The budgeting of FASE resources is parallel to sector goals: approximately 78 percent of FASE funding is directed to primary education, 12 percent to secondary education, 8 percent to institutional development, and 1 percent to adult literacy<sup>17</sup>.

**Off-budget sector resources have accounted for, on average, 3 percent of the education budget, according to ODAMOZ; however, this is likely a gross under-estimation<sup>18</sup>.** Parallel efforts are required to better track Off-Budget resources and encourage more donors to inscribe project funds on the budget in order to harmonize sector-wide efforts, strengthen local government systems, and provide a clearer understanding of how sector funding may be contributing to sector results.

## 4. How are the Education Sector resources spent?

The Ministry of Economy and Finance releases initial funds (*dotação inicial*) via the CUT to each autonomous budget-holding education institution and subsequently updates the allocation based on budget execution rates and available resources (*dotação atualizada*). The institutions track spending (*execução*) through the e-SISTAFE (Government integrated financial management information system), which sources quarterly budget execution reports (*REOs*) and the annual General State Account (*CGE*). The way the 2016 education budget will be spent can be analyzed from four perspectives:

### 4.1 RECURRENT VS. CAPITAL EXPENDITURE

The State Budget divides education expenditures into two categories: Recurrent and Investment. Recurrent describes spending on salaries/remunerations, goods and services, operating costs, transfers, and financial operations. Investment (i.e. capital) describes expenditure aimed at improving the Sector's longer-term productivity and efficiency (i.e. construction of schools, libraries, additional classrooms, etc.).

Recurrent expenditure is exclusively financed through internal resources, whereas Investment is both funded internally and externally. However, it is necessary to point out that all external funding is recorded in the budget as "external investment," when in fact, it might have a portion dedicated to recurrent functions. In order to improve the understanding of investment levels in education and other social and economic sectors, it is important for the MoEF to create the possibility to track the recurrent aspect of externally-funded projects in e-SISTAFE.

15) MINEDH, *Plano de Atividades*. Version: June 2016, Quadro 4, Pg.4.

16) Education Operational Plan: Let's Learn, Pg. 67.

17) Education Operational Plan: Let's Learn, Pg. 75.

18) ODAMOZ is not a reliable source of external, off-budget financing for several reasons including: exclusion of major NGO/CSO funding, inconsistent reporting among major donors, and the recording of "disbursements" instead of actual "execution".

**Growth in internal investment has helped compensate for the decreasing share of external investment; however, share of investment as a whole has decreased due to strong growth in recurrent expenditures** (see Figure #5). In 2008, internal investment was worth just 15 percent of the total investment, but in 2015, was worth 40 percent. Over the same time period, the weight of total investment (of the education budget) decreased from 35 percent to 15 percent. And in 2016, the ratio of recurrent expenditure to investment is budgeted at 80 percent / 20 percent. The strong growth in recurrent expenditure is primarily fueled by spending on personnel; yet, it has had a minimal impact on the student-to-teacher ratio, which has decreased from 62.9 students to 1 teacher in 2011 to just 62.6 to 1 in 2015<sup>19</sup>. When considering just internal resources –those that the Government solely controls– 90 percent were allocated to Recurrent purposes and 10 percent to investment in 2016. In the coming years, as fiscal space is expected to decrease, dedicating sufficient resources to investment will be a challenge for the sector. Low relative spending on investment over time could mean the construction and renovation of education infrastructure fails to keep up with the growth in student enrollment and retention rates.

# 80%

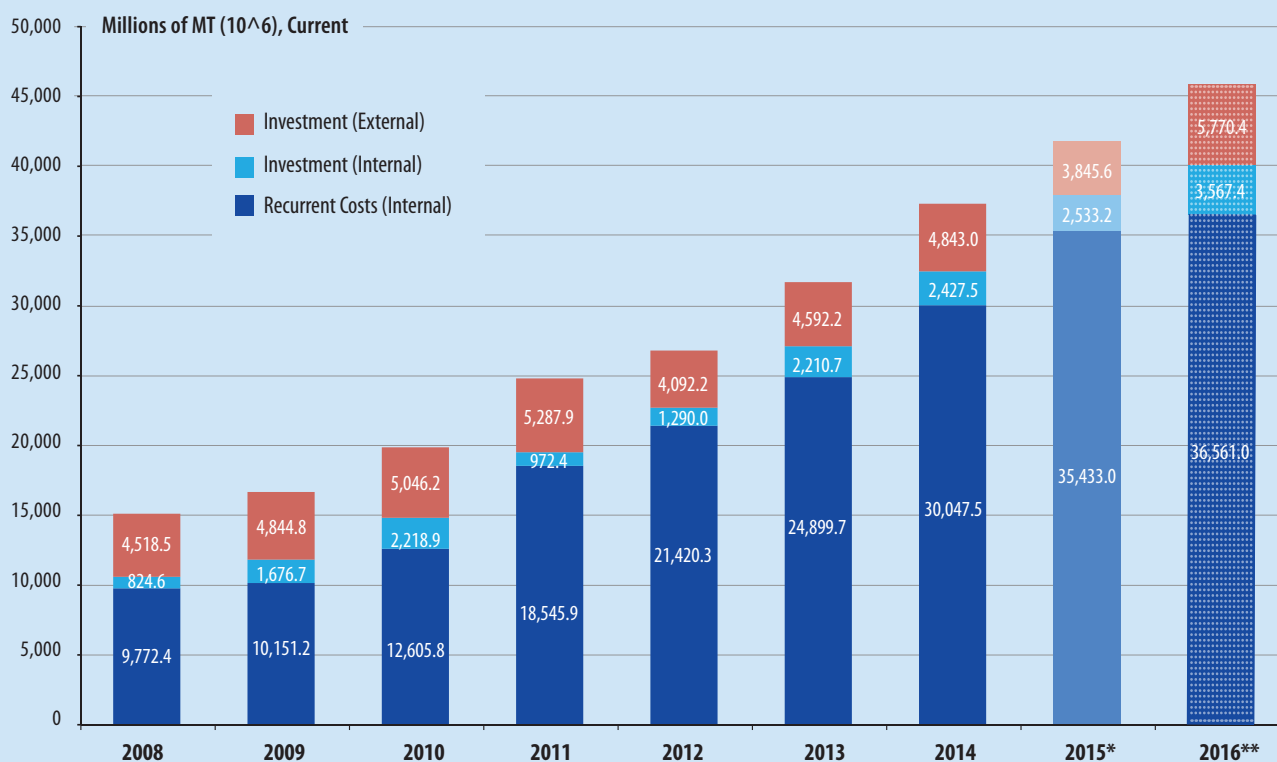
of the sector budget is for recurrent expenditure (e.g., salaries and goods and services); 20% is for investment (e.g., building schools)

## 4.2 EXPENDITURE BY EDUCATION INSTITUTION

### SDEJTs were allocated the largest portion of the Education Sector budget in 2016, followed by DPEC and MINEDH.

SDEJTs, which are responsible for implementing the sector agenda at the district level, were allocated MT 21.9 bn (US\$ 468.9 mn) in the original 2016 State Budget, equal to 48 percent of the education budget; DPECs, which implement at the provincial level, were allocated MT 9.3 bn (US \$199 mn), representing 20 percent of the education budget; and MINEDH, which oversees the entire Education Sector from the central level, was allocated MT 4.4 bn (US \$94.2 mn), or 9.5 percent of the budget. MCTESTP (*Ministério da Ciência e Tecnologia, Ensino Superior e Técnico-Profissional*), which oversees the Science, Technology and Higher and Professional Education sub-sector at the central level, was allocated MT 1.5 bn (US \$ 32mn), representing 3 percent of the education budget.

**FIGURE 5** Recurrent and Investment Expenditure



Source: Author's calculations from the CGEs 2008-2014, REO IV 2015, and LOE 2016.

Note: \* At the time of writing, the 2015 public expenditures account has yet to be finalized; in this regard, it is possible the expenditure total is slightly larger than shown.

\*\* The 2016 figures are initial budget allocations and not expenditure.

19) MINEDH. *Desempenho do Sector da Educação, Relatório 2014. Balanço do PES 2015*. Pg. 62.

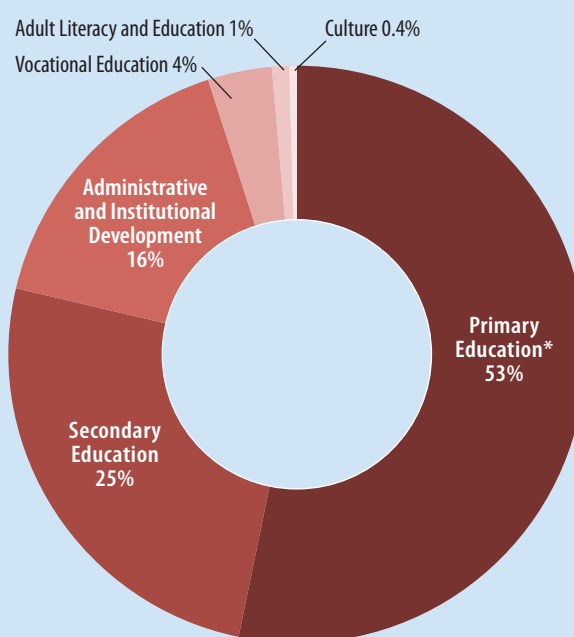
### 4.3 EXPENDITURE BY FUNCTIONAL AREA

Primary education receives the largest share of the education budget, followed by secondary education and institutional development<sup>20</sup>. Primary education was allocated MT 18.4 bn (US\$ 394 mn); secondary education was allocated MT 8.7 bn (US\$ 186 mn); and administrative and institutional development was allocated MT 5.6 bn (US\$ 120 mn) (please see Figure #6). The share of the budget allocated to Primary and Secondary education increased compared to 2015, while the allocation to Administrative and Institutional Development decreased.

### 4.4 EXPENDITURE BY EDUCATION PROGRAM

The largest investment projects in the education sector for 2016 address tertiary, vocational, and distance education; but also involve the construction of classrooms and the provision of school books (see Figure #7). The largest budgeted internal investment in Education for 2016 is a project implemented by Eduardo Mondlane University that is called "Teaching, Research, and Extension" and is worth MT 241.5 mn. The largest budgeted external investment for 2016 is implemented by MCTESTP and called "Higher Education Project for Science and Technology," which is worth MT 938.7 mn.

**FIGURE 6** Education Sector budgeting by program area



Source: MINEDH, Plano de Actividades (PdA), version: December 2015, Pg. 6, Quadro 5.

Note: \*Includes pre-primary. As listed as a footnote in the source of this information, tertiary education is not included in the calculation.

**FIGURE 7** Internal and external investments by program size

Largest Internal Investments in the Education Sector				
UGB	Activity	Internal Investment	External Investment	Grand Total
UEM	Teaching, Research and Extension	241,582.93	174,543.00	416,125.93
MCTESTP	Conclusion of Remodeling of the National Authority of Vocational Training	160,000.00	-	160,000.00
INED	Construction of Gaza Provincial Distance Education Center (CPED)	138,580.00	-	138,580.00
MINEDH	Classroom Construction	107,887.21	291,200.00	399,087.21
INTIC	Government Electronical Network	102,762.40	-	102,762.40
UP	Transformation and Extension of Female Home in Rectory	102,000.00	-	102,000.00
Largest External Investments in the Education Sector				
UGB	Activity	Internal Investment	External Investment	Grand Total
MCTESTP	Higher Education Project Science and Technology Component	-	938,665.00	938,665.00
MINEDH	Schoolbooks	-	917,113.02	917,113.02
MINEDH	Learning to Read (Usaid)	16,000.00	655,200.00	671,200.00
MINEDH	Classroom Construction	107,887.21	291,200.00	399,087.21
MINEDH	Food Program - WFP	-	240,240.00	240,240.00

Source: Author's compilation from LOE 2016.

20) It is important to note that budgeting and execution for many decentralized projects (implemented in the provinces) are still concentrated in central level institutions.



# 53%

of the Education Sector budget is allocated to primary education, followed by secondary education (25%) and institutional development (16%)



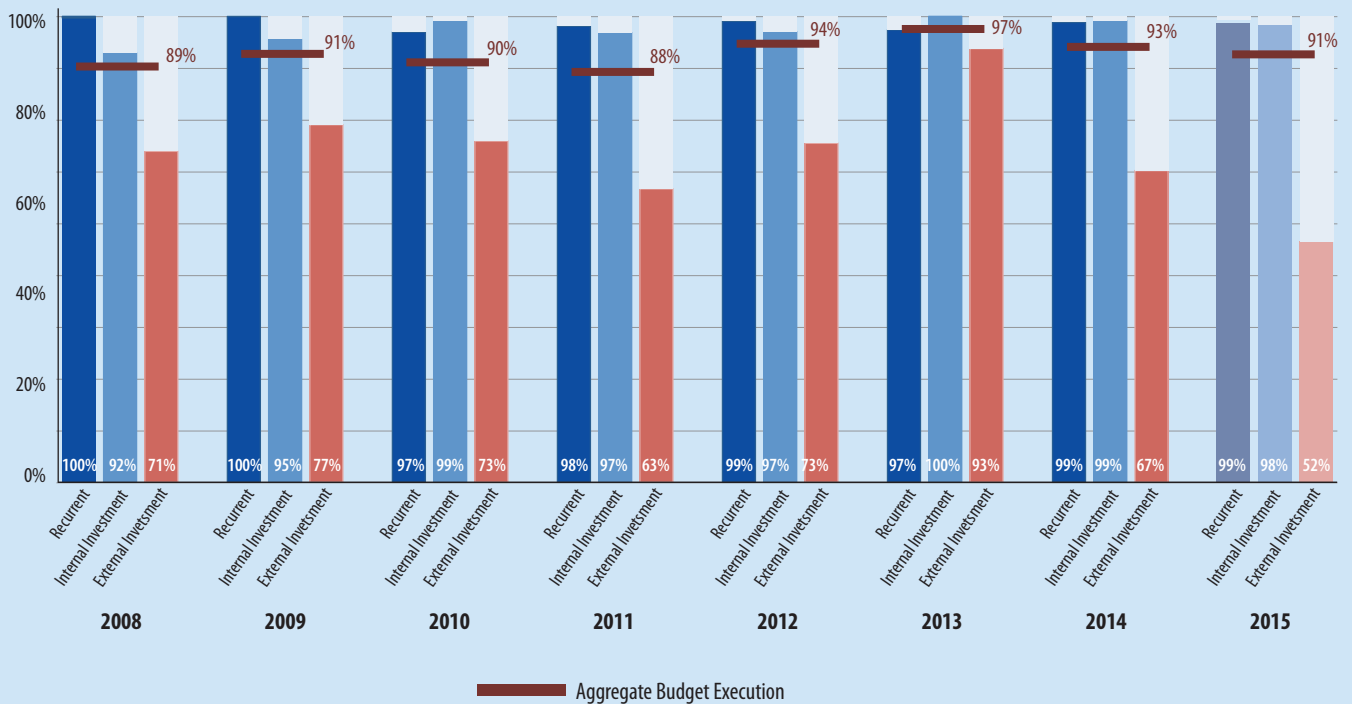
## 5. How well has the Education Sector executed its past budgets?

The Education Sector as a whole has executed, on average, 91.5 percent of its budget between 2008 and 2015; this is substantially higher than the average State Budget execution rate of 87 percent over the same time period (see Figure #8). In 2015, the sector has provisionally executed 91 percent of its budget. This will be confirmed with the release of the CGE later in the year.

**Aggregate Education Sector execution rates are dragged down by poor execution of external resources (financed by donors).** The Government executes, on average, 98.5 percent of the recurrent education budget and 97.1 percent of the internal

investment budget, while external investment resources are executed, on average, at a mere 71.1 percent. It is important to note that besides tardy and incomplete disbursements, the low donor execution rate is often a reflection of sub-optimal donor reporting on projects inscribed on-budget but funded off-CUT.

**FIGURE 8** Budget execution in the Education Sector



**Source:** The Education Sector execution rates are the author's calculations from the CGE 2008-2014 and REO IV 2015.

**Note:** \* At the time of writing, the 2015 public expenditures account has yet to be finalized; in this regard, it is possible the execution rate is slightly larger than shown.



Photo: ©UNICEF/Mozambique

## 6. To what extent has the Education Sector decentralized?

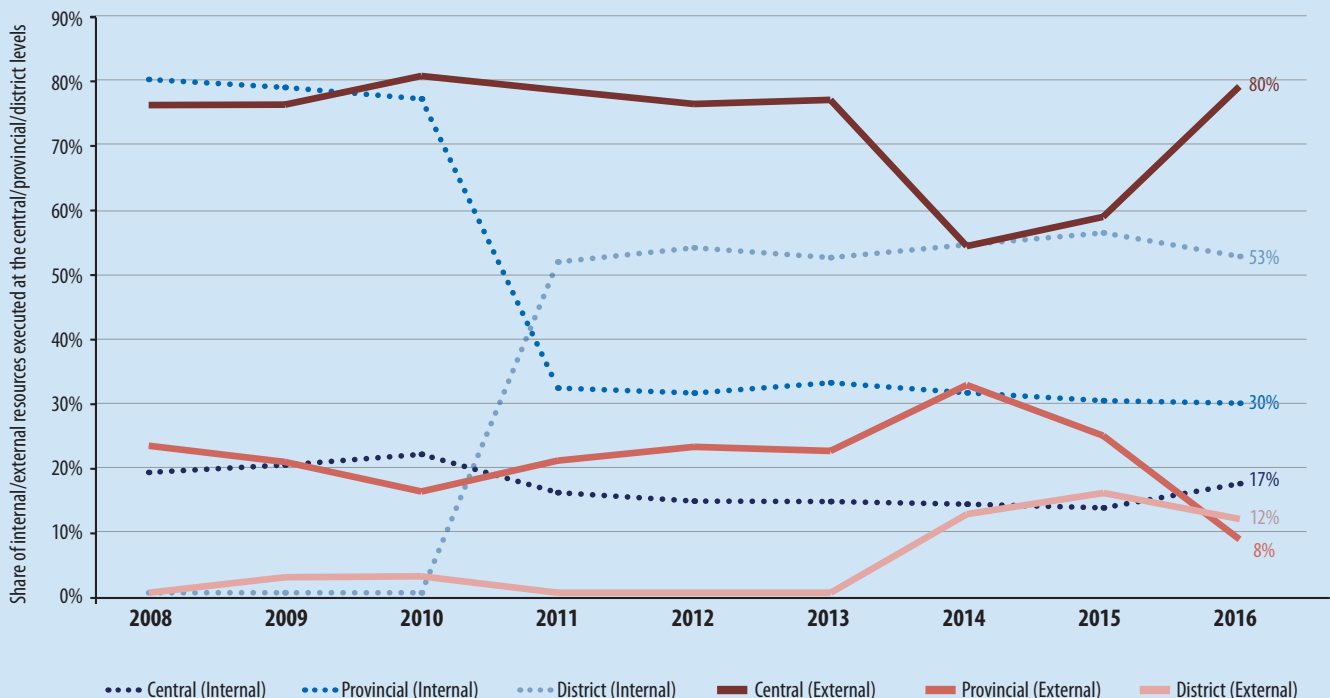
Education spending is highly decentralized. Since 2011, expenditure has been greatest at the district level, followed by the provincial and central levels<sup>21</sup>. This is due to the fact

that teacher salaries and school grants are paid at the district level and school and classroom construction/renovation and school materials procurement is paid at the provincial level. In the 2016 budget, 48 percent was allocated to districts, 27 percent to provinces, and 25 percent to the central level<sup>22</sup>.

**Donor expenditure in the education sector is highly centralized** (see Figure #9). Disaggregating total education expenditure by internal and external sources reveals that while Government spending in the sector is highly decentralized, donor spending is highly centralized.

In fact, for 2016, donors have planned spending 80 percent of resources at the central level, 8 percent in provinces, and 12 percent in districts; compared to the Government which plans 17 percent at central, 30 percent in provinces, and 53 percent in districts<sup>23</sup>. To facilitate the decentralization of external resources action is required by both donors and the Government. Donors should place greater focus on designing and implementing projects at the sub-national level, and the Government should prioritize strengthening the capacity of sub-national education institutions to be able to implement larger projects with bigger budgets.

**FIGURE 9** Expenditure by territorial level



Source: Author's calculations from CGE 2008-2014, REO IV 2015, and LOE 2016.

Note: The figure includes only internal expenditure in order to better capture the Government's efforts to the sector's decentralization.

21) Source: 2015 UNICEF Education Budget Brief. Note: Education spending through SDEJTs was only formally included in DNO's Education Sector composition in 2012. In 2011, salaries were deconcentrated to the district level. In order to capture this deconcentration, SDEJT spending in 2011 was included in the analysis.

22) It is important to note that budgeting and execution for many decentralized projects (implemented in the provinces) are still concentrated in central level institutions.

23) Donor resources are primarily devoted to the central level due to the practice of inscribing many donor-implemented on-budget off-CUT projects under MINEDH or the preference of using the ministry as project implementer.

## 7. How has the Education Sector performed?

### 7.1 PERFORMANCE TRENDS, 2004 THROUGH 2014

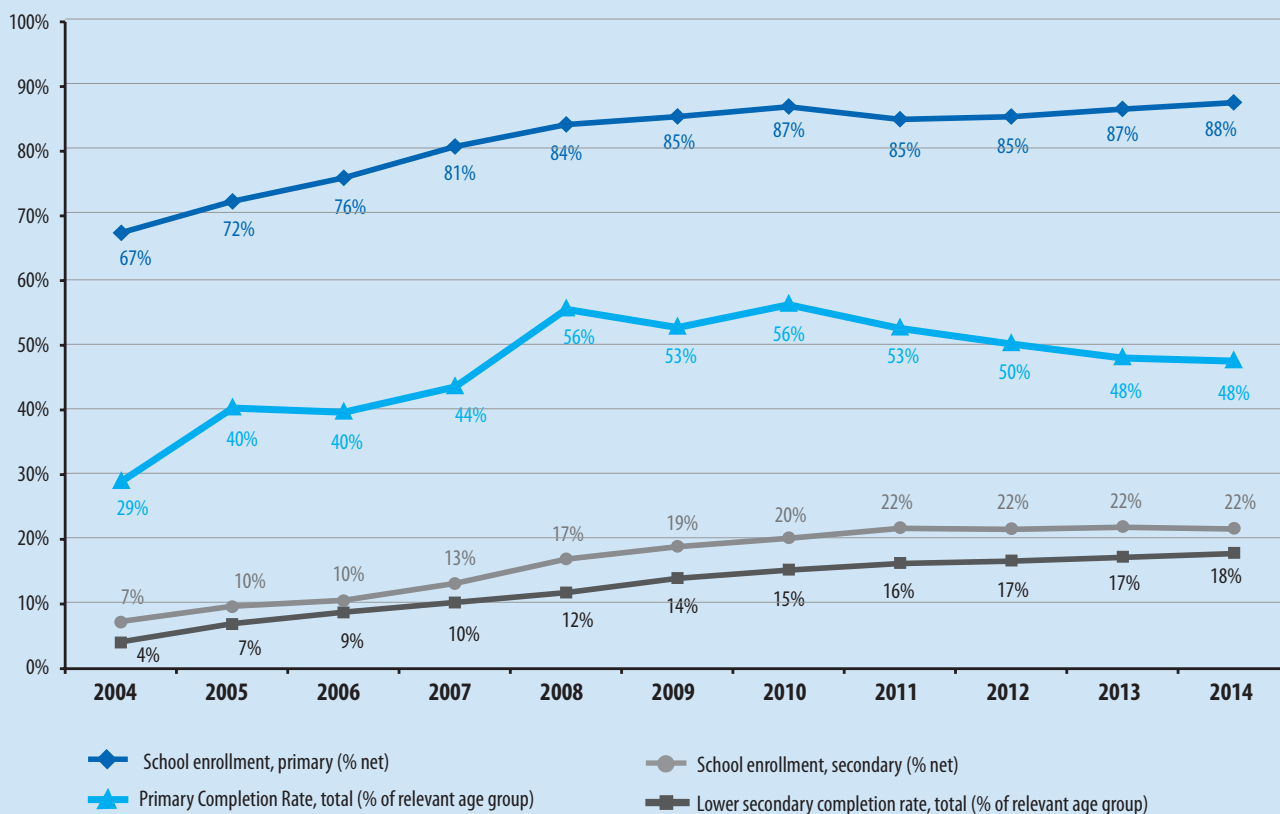
In the context of steady growth in nominal and real education expenditure, the primary and secondary enrollment and completion rates progressively improved between 2004 and 2010. Since 2010, enrollment rates have plateaued and the primary completion rate has fallen (see Figure #10). The inverse relationship between spending and education results over the past four years suggests that recent public expenditure has been less effective<sup>24</sup>.

Two contributing factors for the worsening performance are absenteeism and low teacher capacity, both of which were well documented in the World Bank's *Mozambique Service Delivery Indicators for Education (2015)*.



Photo: © UNICEF/Mozambique

**FIGURE 10** Trends in primary/secondary enrollment and completion rates



Source: WB WDI: School enrollment, primary (% net); School enrollment, secondary (% net); Primary school completion rate, total (% of relevant age group); Lower secondary completion rate, total (% of relevant age group).

24) See 2015 UNICEF Education Budget Brief, Section 7.2 & 7.3



# 48%

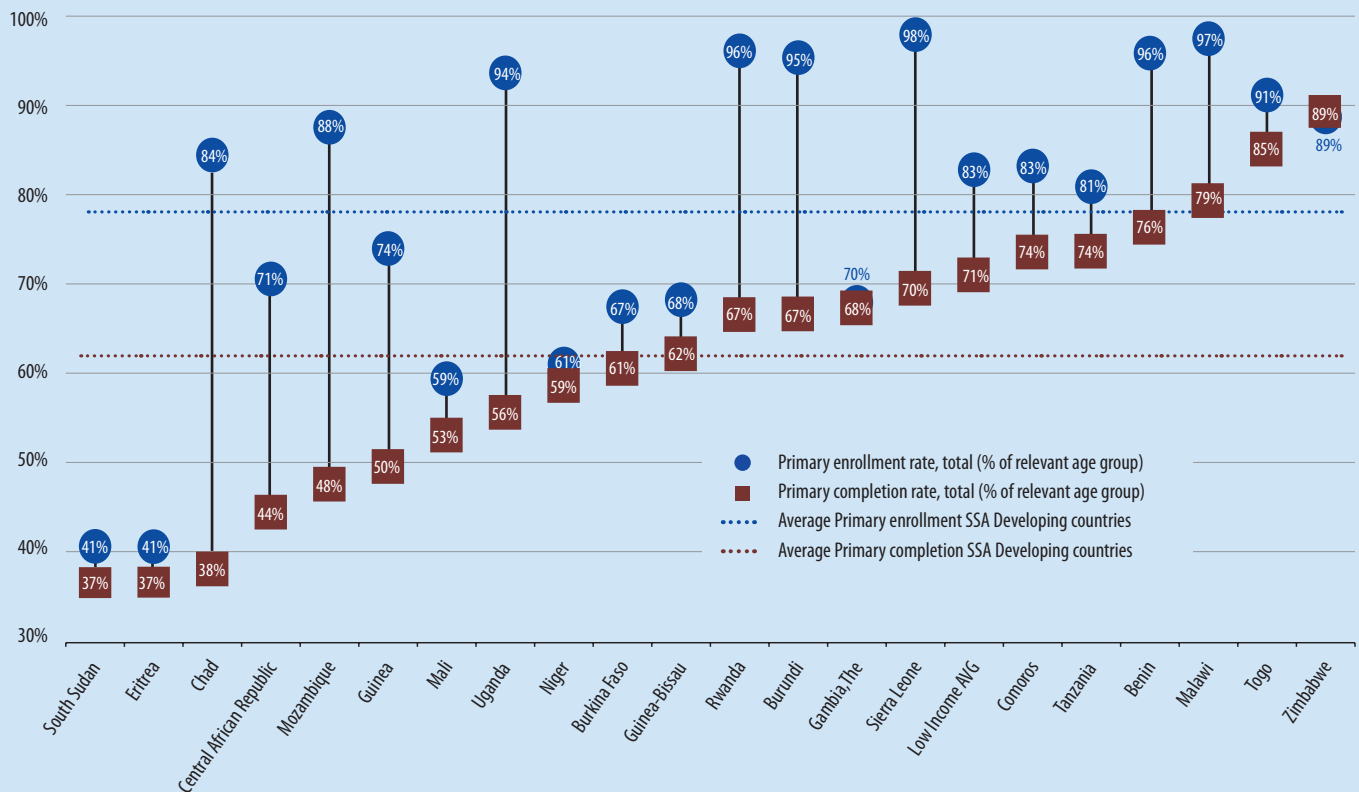
of the budget was allocated to the districts, 27 percent to the provinces and 25 percent to the central level

The study found that on unannounced visits, an average of 56 percent of the students were not present; 45 percent of the school teachers were not present in the classroom; and 44 percent of the school directors were not at the school. When testing teachers on the school curriculum they were responsible to teach, the study found that only 1 percent of teachers scored above 80 percent, and the average score was just 29 percent.

## 7.2 PRIMARY COMPLETION RATE

The primary education completion rate in Mozambique is 40 percentage points lower than the primary enrolment rate. This is the second largest difference in performance rates registered among low income country peers. (see Figure #11). While the primary school enrollment rate in Mozambique of 88 percent is well above the average enrollment rate in low income countries (78 percent), the country's primary completion rate of 48 percent is well below the average (62 percent).

**FIGURE 11** Primary completion rate compared to peers



Source: WB WDI, Primary enrolment rate, total (% of relevant age group), and Primary completion rate, total (% of relevant age group), 2014 or most recent data.  
 Note: Data was not available for all LIC and SSA countries.



Although Mozambique spends around double that of its peers per secondary student, its secondary completion rate is 12 percentage points less than the average completion rate in low income countries



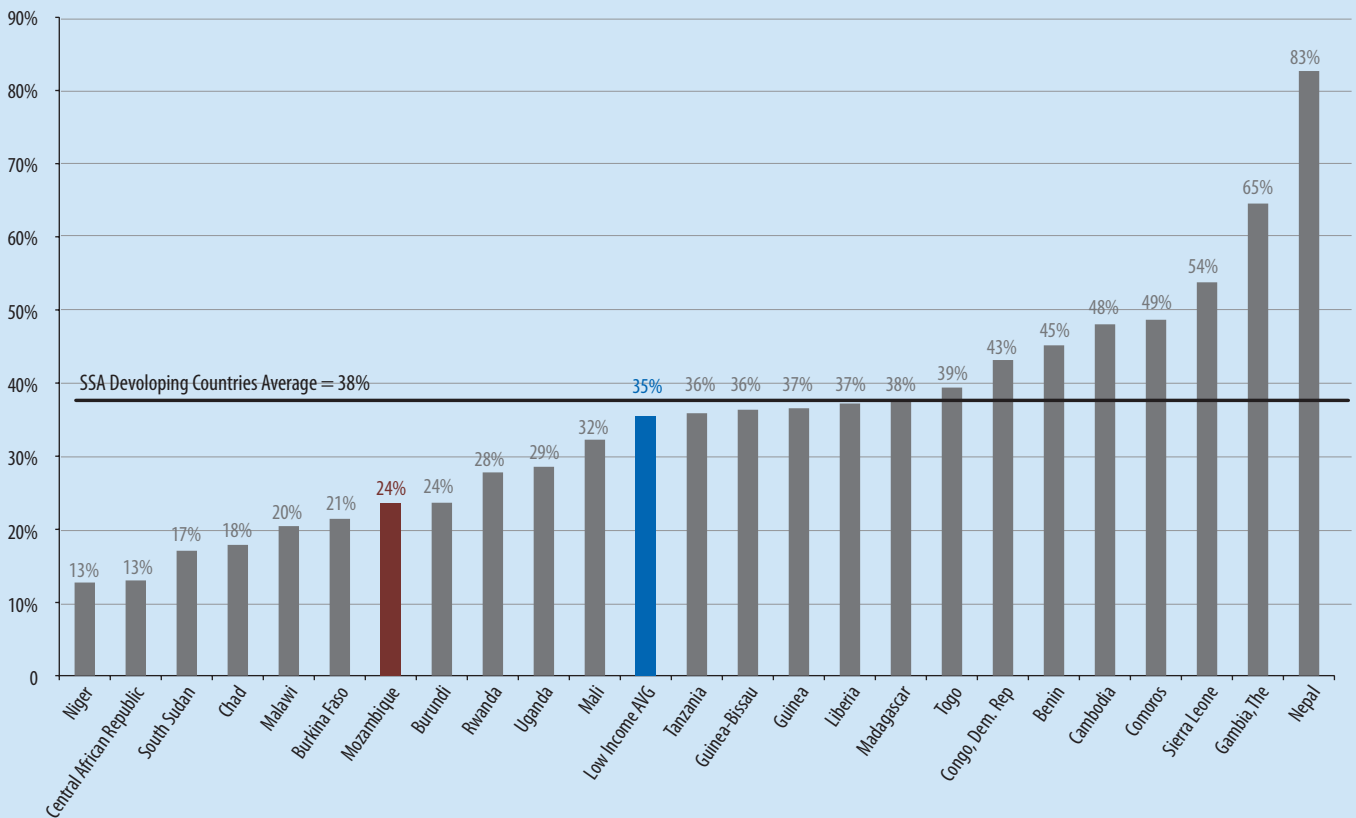
### 7.3 SECONDARY COMPLETION RATE

The secondary education completion rate in Mozambique is lower than the average of low income countries and the average of Sub-Saharan African Developing countries. (see Figure #12). Although Mozambique spends around double that of its peers per secondary student<sup>25</sup>, its secondary completion rate is 12 percentage points less than the average completion rate in low income countries (worldwide) and about 14 points less than the average in Sub-Saharan African developing countries.

## 8. To what extent is education public expenditure equitable?

Social inclusion and equity is a reoccurring theme in the PEE<sup>26</sup>. Inclusion and equity in the Education Sector can be evaluated in terms of (i) geographical allocations and whether resource use is (ii) pro-poor and (iii) gender sensitive.

**FIGURE 12** Secondary completion rate compared to peers



Source: WB WDI, Lower secondary completion rate, 2014 or most recent data.

Note: Data was not available for all LIC and SSA countries.

25) UNICEF Mozambique 2015. Budget Brief Education Pg. 12.

26) See PEE 2012-2016, Section 4, Pg. 37.



# MT 3,589

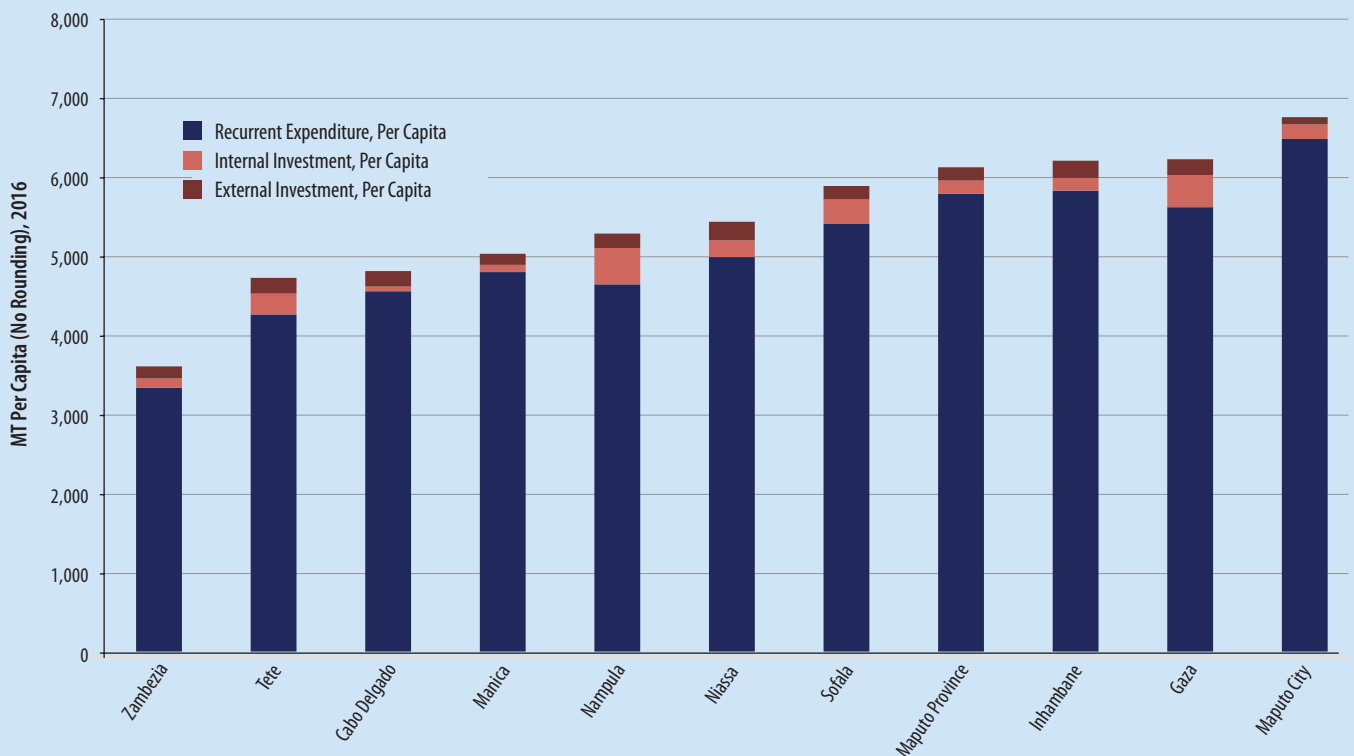
is the allocation per student in Zambézia, while in Maputo City it is MT 6,726

## 8.1 IS THE EDUCATION BUDGET GEOGRAPHICALLY EQUITABLE?

The allocation of non-central education resources in 2016 is inequitable: Zambézia province receives half the per capita allocation of Maputo City (see Figure #13). On a per-student basis, Zambézia (MT 3,589 or US\$ 77), Tete, and Cabo Delgado received the lowest allocations; while Maputo City (MT 6,726

or US\$ 144), Gaza, and Inhambane receive the highest. Since higher per capita recurrent allocations can serve as a proxy for larger education systems and represent more infrastructure needing to be serviced, one can conclude that Zambézia has a relatively smaller education system and less infrastructure per capita than Maputo City and other southern provinces. Equitable budgeting then would mean investment is targeted to close the system and infrastructure gap; however, Zambézia and other underserved provinces do not receive a proportional investment allocation. To improve geographical equity, the Government and development partners should better target investment resources to the underserved provinces, which would eventually need to be accompanied by higher recurrent allocation.

**FIGURE 13** Equity – Decentralized per-capita public Education expenditure



Source: Author's calculations from LOE 2016.

Note: Figure only shows budgeting at the district and provincial level.

## 8.2 IS EDUCATION EXPENDITURE PRO-POOR?

A Benefit Incidence Analysis (BIA) conducted on the Education Sector, utilizing the preliminary data from the 2014/2015 Household Budget Survey (IOF) and 2015 education expenditure figures (GCE 2015), helps explain who gains most from education spending and what is the welfare distribution across the different groups of school-aged children<sup>27</sup>. A BIA considers two main elements: (i) household behavior in the decision to enroll children in school; and (ii) government behavior in the allocation of public resources to different education levels. With respect to the first element, households have increasingly enrolled their children in primary and secondary school since 2004 (see *Figure #10*).

**Despite the Government having prioritized resources for primary education, the per-student allocation for primary education is relatively low compared to allocations for secondary and tertiary education students.** The per-student allocation for Primary Education is about 3.5 times smaller than the subsidy for Secondary Education, and about 24 times smaller than the subsidy for Tertiary Education (see *Figure #14*).

**FIGURE 14** Equity - Unit subsidy by Education level

	Per-Student Allocation (MT)	Ratio of Allocation
Primary	2,226	1
Secondary	7,581	3.4
Higher education	53,514	24

**Source:** Author's calculations from REO IV 2015; MINED "Levantamento Escolar 2015"; and INE "Estatísticas de Indicadores Sociais".

**The poorest households benefit nearly as much from primary education as the richest households; however, they benefit considerably less from secondary and tertiary education** (see *Figure #15*). Given households' enrollment choices and the Government's allocation decisions, the distribution of primary education spending across households from different quintiles is more equitable than the distributions of secondary and tertiary education.

The poorest households benefit from primary education nearly as much as other quintile households. In other words, the poorest households capture a near-equal share of public primary education expenditure compared to the richer households. However, the poorest benefit from secondary education about 6 times less than the richest households. For higher education, public spending disproportionately benefits the richest quintile.

# 62%

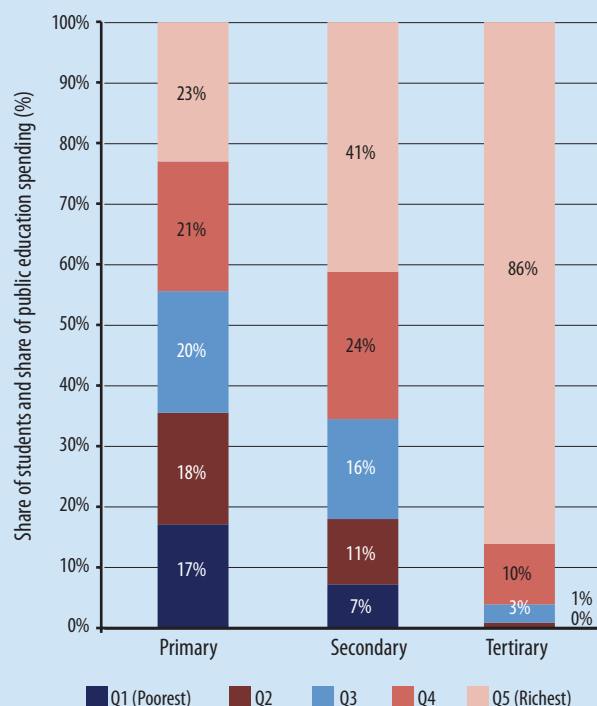
of expenditure in tertiary education benefits boys, compared to 38% for girls

**Collectively, across the three education levels, education spending is not pro-poor.** When considering the whole Education Sector and comparing the quintiles' shares of the total number of students with the share of education allocations received, it is evident that the poorest capture less sector spending than the richest (see *Figure #16*).

## 8.3 IS THE EDUCATION BUDGET GENDER-SENSITIVE?

**Boys and girls benefit nearly equally from spending on primary and secondary education; however, for tertiary education, boys benefit considerably more than girls.** Analysis of the benefit incidence, utilizing the 2014/2015 Household Survey and 2015 expenditure, demonstrates that boys absorb a

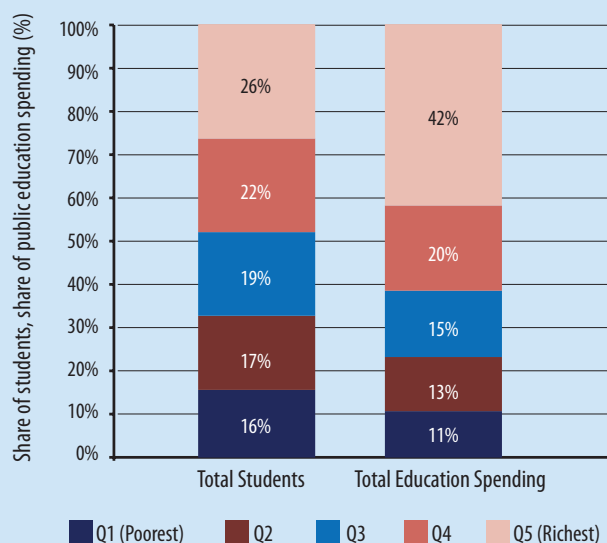
**FIGURE 15** Equity - Benefit incidence by Education level and quintiles



**Source:** Author's calculations from INE Inquérito aos Orçamentos Familiares (IOF) 2014-2015; REO IV 2015; MINED Levantamento Escolar 2015; and INE Estatísticas de Indicadores Sociais.

27) BIA done by the author utilizing the methodology from J.S.Cuenca. Benefit Incidence Analysis on Public Spending on Education in the Philippines: A Methodological Note. 2008. Pg. 4.

**FIGURE 16** Equity – Benefit concentration across quintiles

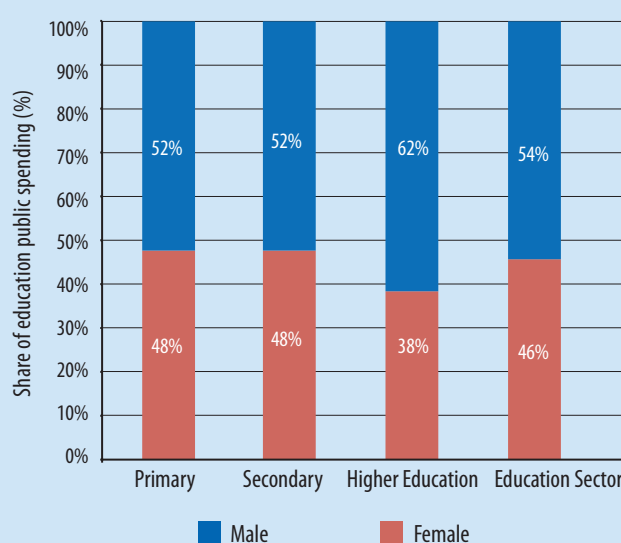


Source: Author's calculations from INE Inquérito aos Orçamentos Familiares (IOF) 2014-2015; REO IV 2015; MINEDH Levantamento Escolar 2015; and INE Estatísticas de Indicadores Sociais.

52 percent share of public education spending for primary and secondary education compared to a 48 percent share for girls (see Figure #17).

For tertiary education, boys absorb a much larger 62 percent share compared to the 38 percent share for girls. This is due to the lower female enrollment rate and higher value of the per capita allocation for tertiary education.

**FIGURE 17** Equity – Benefit incidence by Gender



Source: Author's calculations from INE Inquérito aos Orçamentos Familiares (IOF) 2014-2015; REO IV 2015; MINEDH Levantamento Escolar 2015; and INE Estatísticas de Indicadores Sociais.

Considering all three levels together, boys capture a larger share of spending (54 percent) compared to girls (46 percent). In order to ensure greater gender equality in public spending, more resources should be targeted towards improving female participation and education outcomes, especially at the tertiary level.

## Glossary of Budget terms

**Initial Allocation (Dotação Inicial):** The first allocation of funds, approved by Parliament

**Revised Initial Allocation (Dotação Rectificativa):** A revised allocation of funds, approved by Parliament

**Updated Allocation (Dotação Actualizada):** The total funds that arrive at the disposal of a given education institution

**Expenditure (Despesa Realizada):** Allocated funds spent on education investment and recurrent costs

**Budget Execution (Execução do Orçamento):** Percentage of allocated funds spent out of the total allocation

**Nominal Values:** Numbers not corrected for the effect of inflation

**Real Values:** Numbers corrected for inflation

## Acronyms

BIA	Benefit Incidence Analysis	MT	Mozambican Metical (Local Currency)
bn:	Billion	PdA	Activities Plan
CGE	General State Account (Final Expenditure Report)	PEE	Education Strategic Plan
CUT	Single Treasury Account	PES	Economic and Social Plan
DPEC	Provincial Directorates of Education and Culture	PQG	Government Five Year Plan
DNO	National Directorate of the Budget	FASE	Education Common Fund
GDP	Gross Domestic Product	REO	State Budget Execution Report (Expenditure Update Report)
LIC	Low Income Country	SADC	Southern African Development Community
LOE	State Budget Law	SDEJT	District Services for Education, Youth, and Technology
MCTESTP	Ministry of Science, Technology, Higher and Professional Education	SSA	Sub-Saharan Africa
MINEDH	Ministry of Education and Human Development	USD/US\$	United States Dollar (Currency)
mn	Million	WB	World Bank
MoEF	Ministry of Economy and Finance	WDI	World Development Indicators