



# Public Education Financing: Issues and Recommendations

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## Executive Summary

From a policy standpoint, the 2018 budget proposal presented by the President on November 7, 2017 provides a fair proposition to surmount the current fiscal and monetary challenges that the country is currently facing.

Specifically, with its expansionist plan of N8.612tn, Mr. President's fiscal policies — as itemised in his budget statements — seem to be directed at improving Nigeria's infrastructure, diversifying government revenue and creating jobs.

However, the details of the 2018 proposed budget and allocations across the different ministries show a clear disconnection from the laudable intents of the government and the budget. The Federal Government spending on education relative to its total expenditure has fallen from 2013 high of 7.53% to a low of 6.65% in 2016.

In 2017, the government is allocating N455.41bn or approximately 6.1% of federal government's budget to the Ministry of Education while the same Ministry of Education got an allocation of N492.06bn or 5.7% of the 2018 proposed budget size. It was be noted that the Education Ministry's recurrent expenditure as proposed in the 2018 budget had a 9.03% increase when compared with the 2017 budget. The capital expenditure still suffers the most as N61.72bn which is 12.5% of the Education budget while the rest goes into paying of salaries and running cost of the ministry in general.

At BudgIT, we believe that a well-educated and healthy workforce is important if Nigeria hopes to reverse the trend of decline and realign our economy with inclusive growth. Nigeria will need to significantly improve it health and education sectors

if the aspirations of government and the citizens are to be met. The ability of the Nigerian health systems to perform well and respond appropriately to new challenges is strongly influenced by the availability of highly motivated and skilled health workers, and improved quality of health infrastructure.

The world is transitioning into a knowledge-powered economy. With the wave of automation and artificial intelligence threatening labour intensive jobs, Nigeria will need to improve the quality of education and expand access if it hopes to compete in the increasingly competitive world. Again, budgetary allocation to the education sector, as proposed in the 2018 budget, relative to the size of the budget, is abysmal at 7.04%. UNESCO recommends that government should commit 15% to 20%<sup>1</sup> of the nation's budget to education if we hope to reverse the trend of decline, meaning the 2018 budget of education should be in the region of N2.2tn — not the abysmal N606bn.

Access to higher education in Nigeria remains inadequate. In 2015, only 415,500 candidates got admitted out of the 1.42million applicants. The number keeps growing due to the demographic structure of the Nigerian population. In 2016, out of the over 1.5million applicant, only 9,656 applicants elected to get into a private university while the others elected to undertake their high education in public institution. With very little skill provided outside the formal higher education structure, it is critical for the federal government to step up its funding for the sector if Nigeria hopes to close the access gaps.

For students that cannot get into the tertiary education system, the other pathways to knowledge



critical for the federal government to step up its funding for the sector if Nigeria hopes to close the access gaps.

For students that cannot get into the tertiary education system, the other pathways to knowledge through vocational training do not exist. The Nigerian economy is in dearth need of technical skills like bricklayers, welders, mechanics, laboratory, electricians and skilled vocational nurses.

There is also a disconnection between the quality of education being delivered in the Nigerian school

system and the educational needs of the economy and society. Research and research infrastructure critical to identifying the abnormalities and fracturing lasting solution for the overall economic well-being of Nigeria is non-existence. Intervention funds including UBEC and TETFund are failing to close the rapidly expanding gaps.

The paper seeks to understand the 2018 proposed budget of the federal government with a strong focus on identifying the gaps in the 2017 and 2018 proposed education-related Allocation.

*Oluseun Onigbinde*  
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Lead Partner



## Introduction

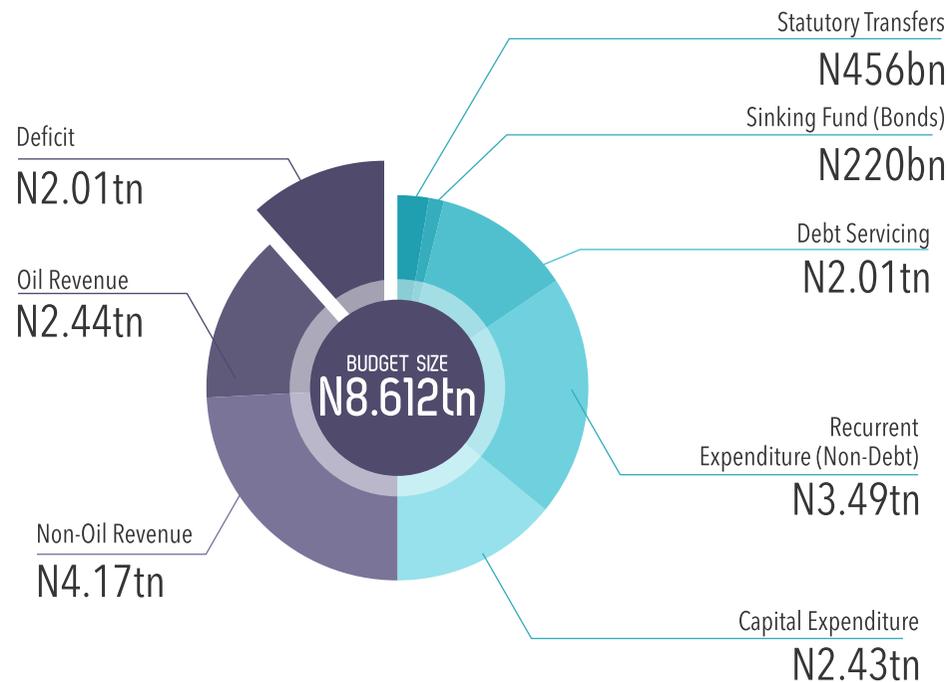
### Fiscal Framework

The Federal Government (FG) is planning to spend N8.612tn in 2018, with significant resources allocated to capital expenditure. It is looking to devote N2.65tn or 30.8% of its total budget on capital items, while the remaining amount will be spent on recurrent items if the budget is passed by the National Assembly.

We note that the total budget for FG is anchored on revenue projections of N6.06tn for 2018, which is 30% higher than the figure of N5.08tn budgeted in 2017. Revenue for FG in 2016 was N2.62tn, down from 2015 levels of N2.78tn.

The government's revenue projections in 2016 were off the mark, consequently affecting a full implementation of the budget. The fallout was that Nigeria could only spend N4.396tn of the N6.06tn anticipated in the 2016 budget.

The numbers suggest the 2017 budget is also toeing these lines. As of the end of the second quarter of 2017, FG's Actual Revenue came in at N886.39bn, which is wide off the annual projection of N5.08tn. Therefore, 2018 revenue projections appear overly optimistic by all standards, particularly if previous numbers are put in perspective.



Source: Budget office, BudgIT Research





With revenue significantly trailing projections, FG is also facing another challenge: the struggle to raise finance. In 2016, only N300bn was raised from the Domestic Bond market, as against an expected N1.18tn. In the first half of 2017, FG could only raise N120bn from the domestic debt market out of 2017 annual projected figures of N1.25tn.

Despite the pervading tightness in these markets, FG insists via its budget that it will be looking to raise N850bn in 2018.

Although FG's foreign borrowing plan for 2016 was pegged at N635.88tn, nothing was raised, according to budget implementation reports covering the first six months of 2017. Yet, FG's budget is hinged on foreign debt uptake of N849bn, which could tilt the country's financial balance.

In 2016, Nigeria was forced to resort to borrowing from special accounts to meet its increasingly expansive Recurrent Expenditure obligations. At a point in the fiscal year, FG was publicly accused of printing naira notes to augment its budgetary gaps.

These gaps are likely indicated in overdrafts from the Central Bank of Nigeria (CBN) to the Federal Government; these jumped from N1.76tn (in December 2016) to N2.63tn at the end of the fiscal year 2016. Worth noting is that FG's indebtedness to the CBN was worth a significantly less N349.7bn, as of October 2014.

The government's total recurrent expenditure in 2016 was N3.88tn, while the dedicated amount for statutory authorities, including the National Assembly and the National Judicial Council, came to N344bn. With revenue only a shade above

N2.6tn and total recurrent expenditure obligations already above N4tn, Nigeria may be heading towards fiscal insecurity, as the country is now borrowing to pay salaries and meet other recurrent obligations. This is against the spirit of the Fiscal Responsibility Act – a law that oversees the administration of public finance.

As the situation stands, 2018 promises to be interesting, as total recurrent expenditure is projected to top N5.96tn – up from 2017 budgeted figures of N5.08tn. Debt service, a component of recurrent expenditure, was approximately N1.313tn in 2016 alone; this number is expected to surpass N2.014tn in 2018. With revenue from the oil sector projected at N2.44tn in 2018 and debt servicing costs pegged at N2.014tn, Nigeria may be walking into a rapidly expanding debt trap.





# Education Sector Allocation

## Fiscal Framework

Budgetary allocation to the Federal Ministry of Education, relative to its total budget size, has fallen from a 2015 high of 12.46% to a low of 7.04% in 2018.

In 2018, the proposed budget is allocating N606bn or approximately 7.04% of federal government's budget to the education sector. The biggest proportion of the allocation to the Ministry of Education, at N544.27bn, will be expended on the recurrent items, while N61.73bn will go into capital expenditure.

The UNESCO's Incheon Declaration recommends that government should commit 15% to 20% of the nation's budget to education if we hope to reverse

the trend of decline, meaning the 2018 budget of education should be in the region of N2.2tn – not the abysmal N606bn.

The breakdown (line-by-Line) of the 2018 budget also suggests government's policies and budgetary allocation are not directed at addressing the issue. If government fails to act today, over 20 million young Nigerians, in the next five years, will have minimum or no skills to compete in an increasingly competitive world. Needless to say, crime rate and poverty are directly linked to lack of skills and adequate education.

Summary: Education sector Allocation

Year	Recurrent Expenditure	Capital Expenditure	Overhead Costs	UBE Budget	Education Budget	Total Budget	Education Budget as % of Total
2012	317.89	55.06	27.19	63.12	463	4,697	9.86%
2013	337.53	71.94	23.29	76.28	509	4,987	10.21%
2014	421.03	51.28	22.97	70.47	566	4,695	12.05%
2015	441.34	23.52	18.32	68.38	552	4,425	12.46%
2016	426.85	35.43	17.99	77.1	557	6,080	9.17%
2017	375.11	50.43	22.89	95.18	544	7,441	7.31%
2018*	544.27	61.73	27.68	113.73	606	8,610	7.04%

Source: Budget office, BudgIT Research

\* Proposed budget

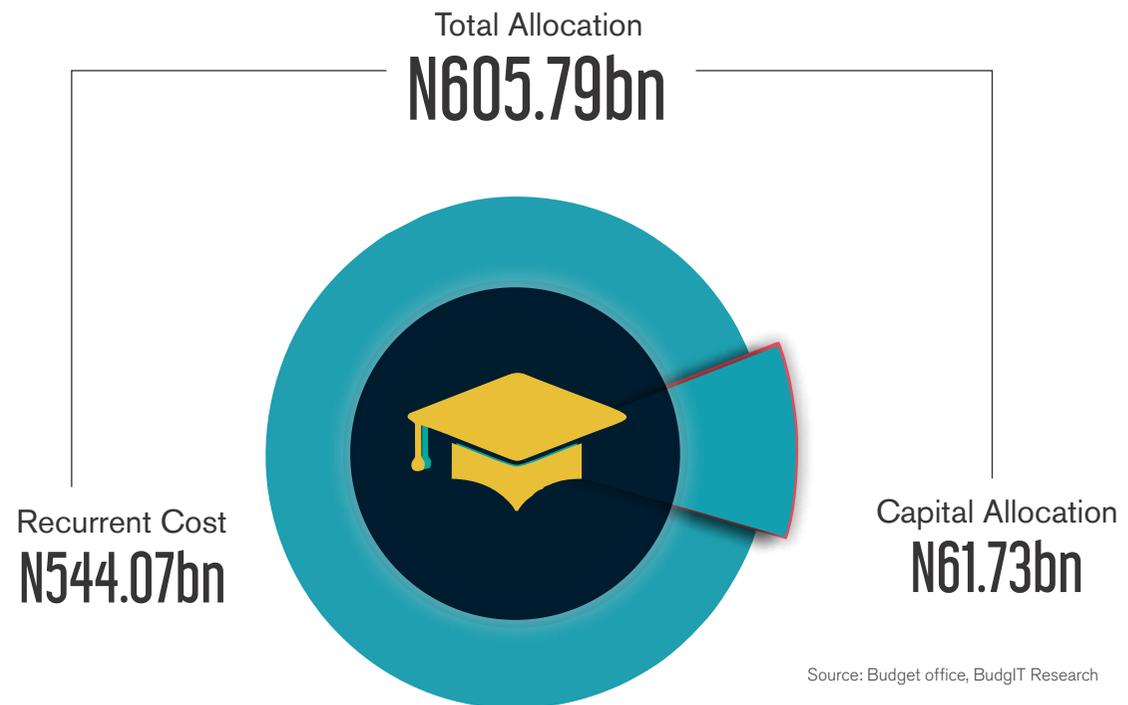




## Recurrent VS Capital Expenditure

These expenditures are seen as a contest and whenever they are compared with each other, recurrent expenditure always wins especially in the pro-poor sectors which includes education and health. Scanning through the years, so much focus has been directed to recurrent and the capital investments suffer. Doing the unusual trend of analysis of the capital allocation, we will dissect the capital allocation into administrative and developmental capital expenditure. In 2018 proposed budget, 36.9% of the capital allocation is sited within headquarters of the Education ministry while the 210 agencies under the ministry manages the 63.1% capital allocation.

The developmental capital expenditure are project allocations that will have a direct impact on citizens and we define administrative capital expenditure as projects that are targeted at running costs e.g. purchase of cars, renovation of offices etc. Having define these important terms, the proposed education budget has an allocation of N22.5bn will be used as an administrative capital while 39.2bn as development capital investment. Some line items were not clear and precise in the budget, some don't have project sites which will be difficult to track especially for CSOs.



Source: Budget office, Budget Research





## Key Issues with the Education sector

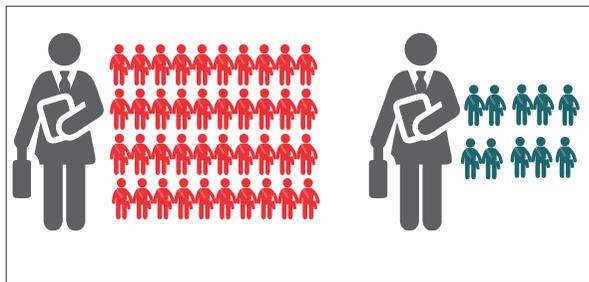
### Demographic Challenge

Nigeria's population growth is putting pressure on the country's resources, public services, and infrastructure. With kids under 15 years of age accounting for 45 percent of the 171 million population, the burden of education has become overwhelming.

Primary school enrollment has increased in recent years, but net attendance is only about 70 percent. Nigeria still has 10.5 million out-of-school children – the world's highest. Sixty percent of those children are, incidentally, residing in the northern part of the country.

About 60 percent of out-of-school children are girls, many of whom do enrol drop out early. Low perceptions of the value of education for girls and early marriages are among the reasons. In the urge to reduce the number of out-of-school children, some northern states are introducing laws requiring education of girls and prohibiting their withdrawal from school. Girls' primary school attendance has been improving, but this has not been the case for girls from the poorest households.

The number of pupils depending on public primary schools are billed to rise significantly due to demographic pressure, and to flatten economic opportunities.



Teacher-to-pupil ratio is about 1 : 40, which is higher than the desirable goal of 1:10.

### Poor Quality of Education

Significant investment will also be needed to improve the quality of staff teaching in primary schools. Out of the 574,578 primary school teachers in 2014, only 386,970 are qualified to teach, showing that there is a gap in the quality of skilled personnel in the primary education system.

Teacher-to-pupil ratio is about 1 : 40, which is higher than the desirable goal of 1:10. A lower teacher-to-student ratio is important if Nigeria hopes to compete in the knowledge-powered economy and improve its quality of education.

In 2014, the total number of public junior secondary schools in Nigeria was 11,651. Over 4.4 million students depend on public junior secondary school for primary education. Infrastructure is inadequate, as the schools only have 88,928 classrooms. That puts the total student-to-class ratio at 1:50. Also, the public junior secondary school system depends on the services of approximately 170,628 teachers, which puts the teachers-to-pupil ratio at 26 – slightly higher than the 2013 figure of 25. Nigeria will have to invest more to improve the numbers.

The junior secondary education, just like the primary school, lacks adequate funding, even with the UBEC grants – due to the inability of some states to meet up with the matching grants. Only 29 states in 2013/2014, 19 states in 2015 and just two states in 2016 (Borno and Rivers) accessed the UBEC grant. If there's adequate funding for the junior secondary education, the number of out-of-school children will significantly reduce.

The situation in senior secondary school is not any different. Failure rate remains above acceptable





threshold despite improvements in the last three years. About 41% of candidates registered for the WAEC in 2017 did not obtain minimum of credits in five subjects and above, including English Language and Mathematics.

Interestingly, 13.8% of the 1,567,016 people who sat for WAEC were alleged to be involved in examination malpractice.

### Access to Higher Education

Access to higher education in Nigeria remains inadequate. In 2015, only 415,500 candidates got admitted out of the 1.42 million applicants. The number keeps growing due to the demographic structure of the Nigerian population. In 2016, out of the over 1.5 million applicants, only 9,656 elected to get into a private university while the others elected to undertake their higher education in a public institution.

With very little skill provided outside the formal higher education structure, it is critical for the

federal government to step up its funding of the sector if Nigeria hopes to close the access gaps.

For students who cannot get into the tertiary education system, the other pathways to knowledge through vocational training do not exist. The Nigerian economy is in dire need of technical skills provided by bricklayers, welders, mechanics, laboratory, electricians and vocational nurses.

There is also a disconnection between the quality of education being delivered in the Nigerian school system and the educational needs of the economy and society. Research and research infrastructure critical to identifying the abnormalities and fracturing lasting solution for the overall economic well-being of the country is non-existent. Intervention funds, including UBEC and TETFund, are failing to close the rapidly-expanding gaps.

### Gaps : Access to Higher Education

Year	UTME Number of Applicants	Number(s) of admitted applicants	Gaps
2012	1,500,278.0	390,438	1,109,840
2013	1,664,198.0	399,339	1,264,859
2014	1,574,144.0	378,653	1,195,491
2015	1,423,279.0	413,953	1,009,326
2016	1,589,175.0		
2017	1,736,571.0		

Source: Budget office, BudgIT Research

\* Proposed budget





## Issues with the 2018 Proposed Budget

### Education Sector: Federal Universities

Budgetary allocation to Federal Government-owned universities remains abysmal. Total allocation to the Federal Government-owned university system in 2017 was N235.1bn, up from the 2016 figure of N216bn. The proposed 2018 budget calls for total spending of N254.49bn, which is grossly inadequate given the severity of the challenges in the sector.

A total of N248.9bn or 97.8% of allocation to Federal Government-owned university system is going into recurrent expenditure. In 2015, 2016 and 2017, the allocation was N225.9bn, N209.6bn and N228.1bn respectively. Out of the N2.43tn capital allocation under the 2018 fiscal framework, the university system is allocated only a paltry N5.7bn.

Given that the biggest proportion of capital expenditure will be financed by borrowings, significant investment in human capital development was expected. But it is disheartening to note that the proposed 2018 budget makes provision of N83.7 million for the procurement of tyres for operational vehicles at the presidency while most universities in Nigeria are running on a capital allocation below N100 million.

Also shocking is the fact that the government is planning to spend N5.7bn on capital item sin all universities in the country while the government will be spending N4.9bn on annual routine maintenance of mechanical and electrical installations of the presidential villa.

### Comparing Education Allocation to Selected Agencies' Allocation



Source: Budget office, BudGIT Research





## Budgetary Allocation: Federal Universities

(All amounts in NGN bn)



Source: Budget office

## Education Sector: Federal Polytechnics

Budgetary allocation to FG-owned polytechnics, when put side by side the challenge in the system, is grossly inadequate. Total allocation to FG-owned university system in 2017 was N60.9bn, up from the 2016 figure of N56bn. The proposed 2018 budget calls for total spending of N73.42bn.

A total of N68.61bn, or 93.45% of allocation to Federal Government-owned polytechnic system, is going into recurrent expenditure. Capital expenditure allocation in 2017 is set at N1.8bn, or

2.9% of total allocation, to Federal Government-owned polytechnics. In 2018, the proposed budget calls for a capital spending of of N2.25bn.

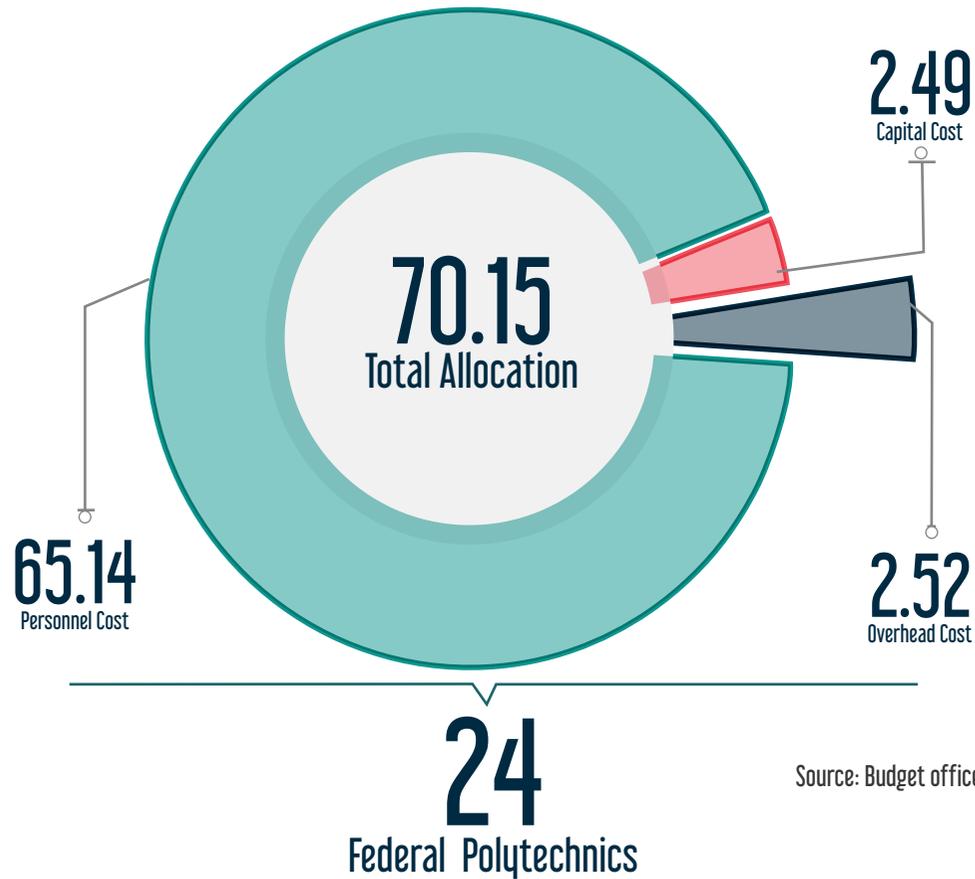
The penalty amount will have little impact if the challenges militating against the education sector, in terms of expanding access to education and improving the quality of education, are not addressed.





## Budgetary Allocation: Federal Polytechnics

(All amounts in NGN bn)



## Education Sector: Colleges of Education

Significant investment is needed to improve the quality of teaching staff in primary schools. Out of the 574,578 primary school teachers in 2014, only 386,970 were qualified to teach, showing that there is a gap in the quality of skilled personnel in the primary education system.

The same problem persists in the secondary education system. Significant resources are needed to improve the quality of skills of teachers.

Total allocation to Federal Government-owned colleges of education in the proposed 2018 budget is N46.57bn, up from 2017 allocation of N43.1bn

A total of N45.26bn, or 97.18 % of allocation to Federal Government-owned colleges of education will go into recurrent expenditure.

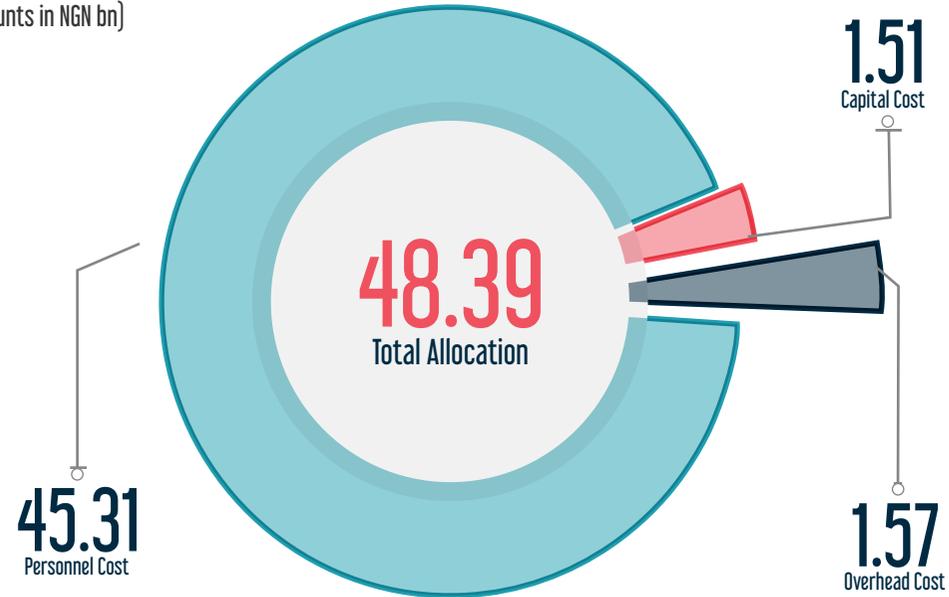
Capital expenditure allocation in 2016 is set at N1.3bn, down from 2017 level of N1.5bn.





## Budgetary Allocation: Colleges Of Education

(All amounts in NGN bn)



Source: Budget office

# 22

Colleges of Education

## Education Sector: Key Interventions

### Universal Basic Education Funds

In 2018, allocation to the Universal Basic Education Funds is put at N113.73bn, up from 2017 level of N95.19bn. In 2016, a total sum of N77.11bn was allocated under the universal basic education funds. With over N125bn allocated to the National Assembly, it was expected that allocation to basic education would dwarf that of the National Assembly, given the enormous amount of challenges in the sector.

Data from UBEC website showed that between

2013 and 2014, out of N73.37bn set aside by the commission, states accessed N63.57bn. In 2015, N18.52bn was accessed out of the N32.44bn that was earmarked for states, while in 2016 only N2.6bn was accessed out of the N38.5bn set aside for states.

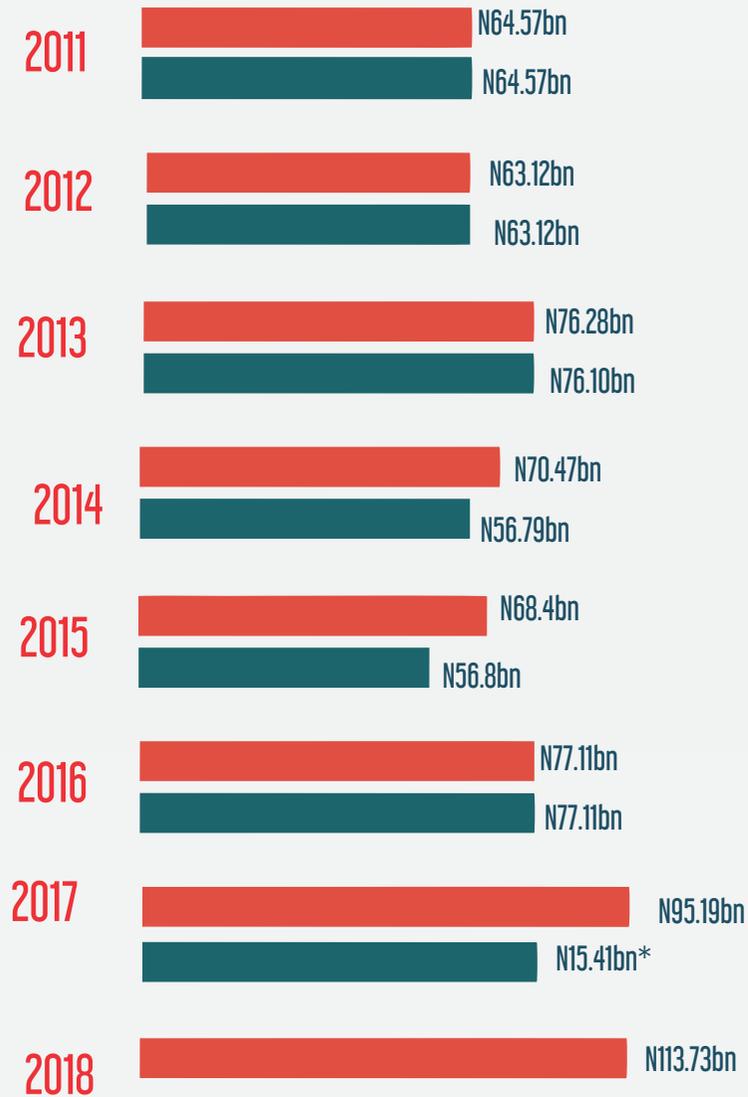
It is worrisome that during this period under review, some state governors allegedly diverted the funds accessed to provide basic education for other purposes. As of July 2016, a total of N64.87 billion UBEC grant was un-accessed lying with CBN.

With the statistics available, combined with





## UBEC Allocation (2011-2017)



Source: Budget office

\*Total amount released so far as at 2017 3rd Quarter budget implementation report





Nigeria's 10.05 million population of out-of-school children, according to UNICEF, we believe that the UBEC programme has not achieved its objective of ensuring access to nine years of unfettered basic education and reducing the country's out-of-school population.

With the current amendment to the UBEC act seeking to raise the Federal Government's contribution from 2 percent to 3 percent, and also seeking reduction in the state's contribution from 50% to 10%, it is left to be seen if the amendment, when signed into law, will help the commission achieve its objective of providing free and compulsory basic education for Nigerians.

## Tertiary Education Fund - TETFund

Tetfund was set up in 2011 after years of advocating for improved education-related spending. Companies in Nigeria are now required to pay 2% tax to the government, called Education tax, which feeds into a Fund – 'TERTIARY EDUCATION FUND' ('Tetfund' for short). The Fund should ordinarily be directed at improving access, quality and standard of tertiary education in Nigeria.

Notwithstanding the fund, access to higher education in Nigeria remains inadequate. In 2015, only 415,500 candidates got admitted out of the 1.42million applicants. The number keeps growing due to the demographic structure of the Nigerian population.

## »» Total allocation to TETFUND in 2017 ««



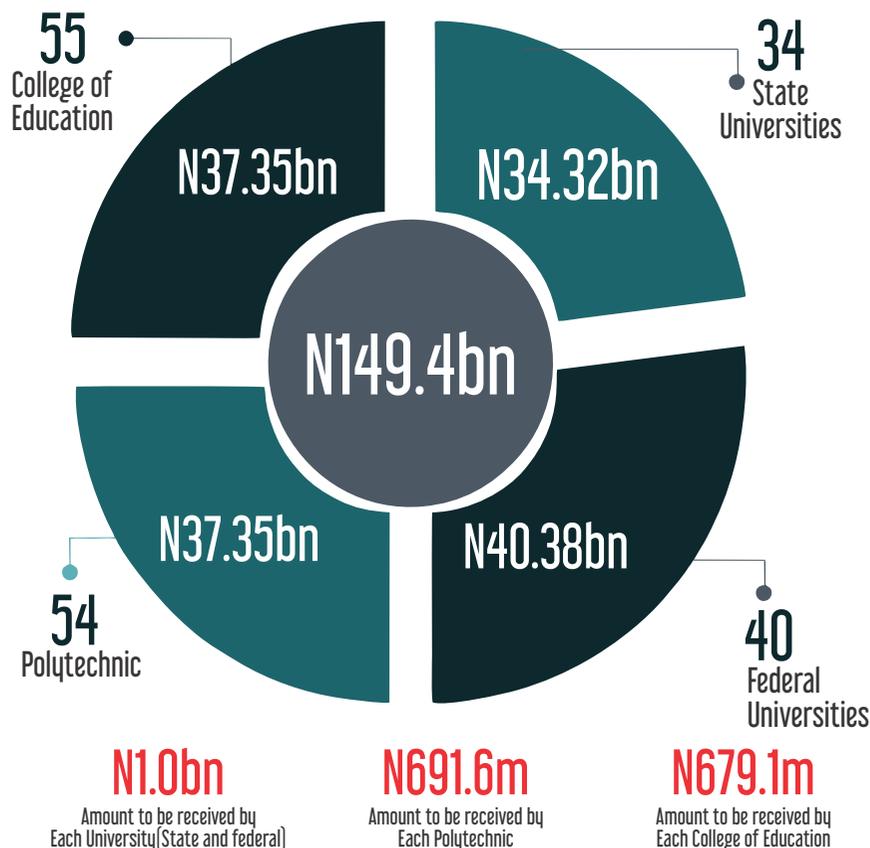


The quality of education delivered in tertiary education institutions is also critical. Funds going into research have been very small. In 2016, only N1bn was dedicated to research by the fund. The process of administering research fund is also cumbersome, which invariably impacts the delivery of quality service. South Africa's investment in research is projected to top N1.7tn by 2020 and Nigeria will need a lot of action to catch up.

Equally important is the fact that access to higher education in the long run help upend the cycle of poverty. Year after year, Nigeria's majority poor suffers double jeopardy. While government expenditure is not tailored and spent on improving access to higher education- correcting the abnormalities, the working poor and have-nots are increasingly forced to pay more regarding tax.

## 2016 TETfund Intervention Funds

### Breakdown of Annual Direct Disbursements

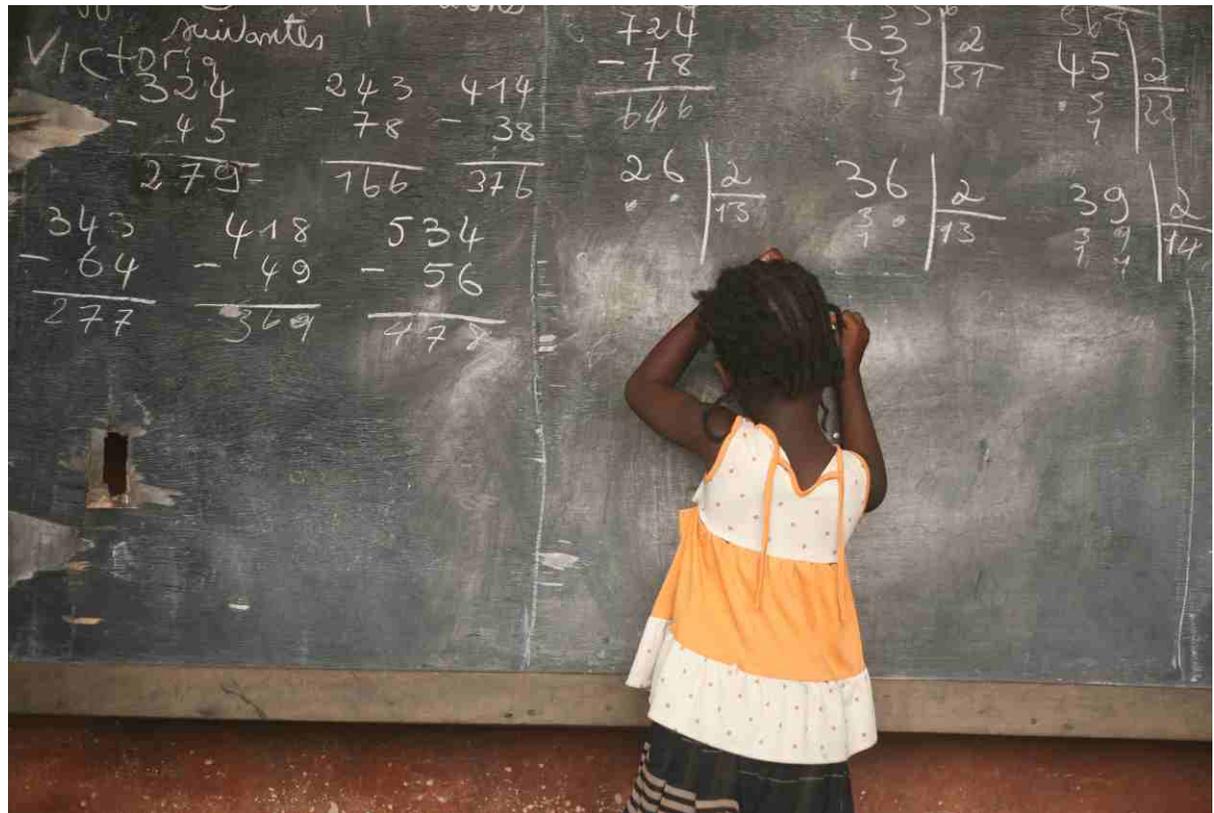


Source: TETFUND





The price of goods is increasing astronomically, and some economist views food inflation as a form of tax on the poor. Food inflation is accelerating at about 20.28% year-on-year ( July 2017) meaning more and more Nigerians cannot afford the associated cost of higher education.





## Our Recommendations

### A N1bn fund to review and redevelop tertiary education curriculum aligning with the skills need of the economy

We believe Nigeria needs to commit significant amounts to improving the quality of education delivered at our higher education institutions. It is critical to understand the skills need of the economy and also understand how universities are delivering on the skills. We observe that there is a disconnect between what the economy requires and what the university is delivering. As such, significant fund in the region of about N1bn is needed to review the curriculum of federally-owned tertiary institutions and understand the skills gap in the economy. It is important to redevelop the university curriculum and align faculty programmes with recent research.

### A N220bn fund to improve education infrastructure and access to tertiary education

Equally important is the need to improve the quality of infrastructure across our institutions of learning. The procedure for accessing funds under the TETFund remains unclear, and significant level of transparency is needed on how the fund is administered. We recommend that the proposed 2018 budget sets aside approximately N220bn to expand the capacity of our higher education system and improve the quality of infrastructure across our institutions. Disbursement of funds can be connected to the schools' ability to absorb more students especially in areas where Nigeria is suffering significant skills gap. It is important for government to honour its agreement with ASUU.

### Accounts of Tertiary Institution should be Published and open to Public scrutiny

We understand that most tertiary institutions collect revenue and spend outside the normal budgetary provisions. It is important for the public to holistically understand the finance of higher institutions, as is the standard all round the world. We urge the National Assembly to compel universities, polytechnics and colleges of education to publish audit reports and financial statements, as budget implementation reports only cover a fraction of the university spending.

### A need for research endowment fund

Research and Development is the foundation upon which a knowledge economy is built. Nigeria needs to learn from the success and failure of the NIGCOMSAT/NIGERIASAT programme, among other initiatives. Significant investment in the region of N100bn is needed annually to enhance our research and development ecosystem.

The National Assembly will do well to condense some of the research-related spending within the line items of the budget and redirect some administrative capital items, which have very little bearing on the country's development aspirations, into a research endowment fund. It is also important to have a clear procedure on how to access the fund, especially by researchers. Significant level of transparency is also needed to ensure funds are used in line with the research goal, skills gap and aspirations of the country.





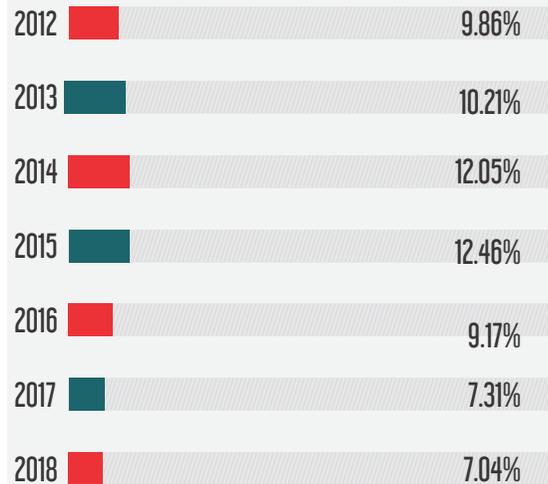
## Align Budgetary Allocation with UNESCO standard

UNESCO (United Nations Educational, Scientific and Cultural Organization) recommends that government should commit 15% to 20% of the nation's budget to education if we hope to reverse the trend of decline. Unfortunately, education sector allocation over the last three years, as a percentage of the federal budget, is falling.

The 2018 budget of education should be in the region of N2.2tn – not the abysmal N606bn – if the recommendation is to be followed. Rather than working to close the gap, allocation relative to the size of the Nigeria budgetary shows a trend of decline

If the government fails to act now, over 20 million young Nigerians will have minimal or no skills to compete in an increasingly competitive world. Needless to say, crime rate and poverty are directly linked to lack of skills and education.

### Education Budget as % of Total Budget



# N1.74tn

UNESCO recommended annual spending on Education

# N605bn

Nigeria's present annual spending on Education



# tracka



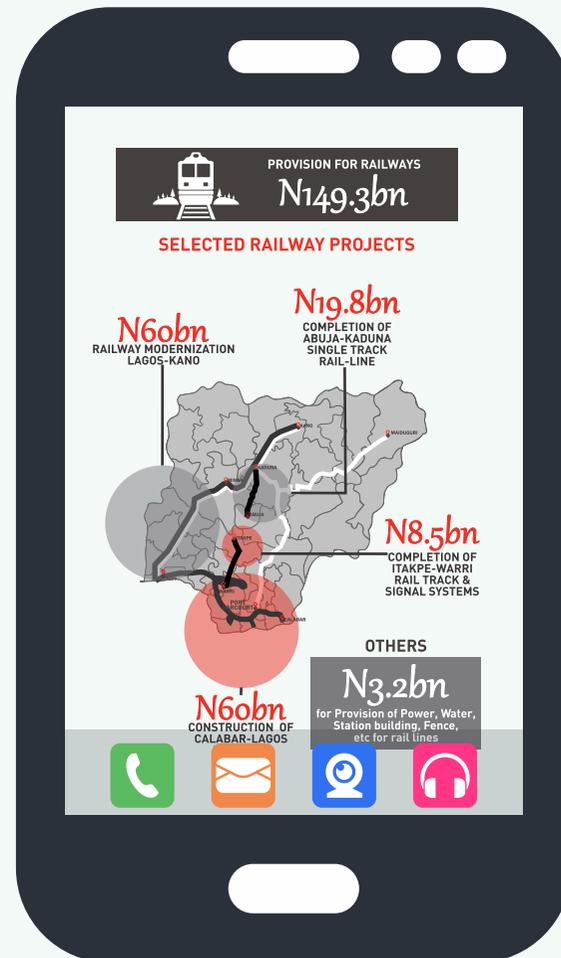
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