

The Government Expenditure of Education in Ethiopia: Impact and Prospects Ahead.

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Abstract:

Ethiopia is not an exception to the rule that government spending on education has a significant influence on a nation's economic progress. The impact of government investment on education on Ethiopia's economic growth is examined in this article. Ethiopia has significantly expanded its educational spending in the last ten years with the goal of raising literacy rates, boosting school enrollment, and advancing the development of human capital overall. Positive results like increased enrollment rates and improved educational access have been a result of this investment, and these are crucial for developing a competent labor force and promoting economic growth. However, a number of educational issues, such as poor infrastructure, subpar teachers, and regional differences in resource distribution, affect how beneficial this investment will be. It is observed that government expenditure on education in Ethiopia is significant, there are still areas that require attention in order to maximize its impact on the country's economy. By addressing these challenges and continuing to invest in education, Ethiopia can further enhance its economic potential and promote sustainable development for the future.

Keywords: Government Expenditure, Economic growth, Education

1. Introduction

The process of promoting learning or the acquisition of information, skills, values, morals, beliefs, and habits is known as education. This The process of promoting learning or the acquisition of information, skills, values, morals, beliefs, and habits is known as education. Both a short-term and long-term process may go through this (Rambeli et al., 2020). Ethiopia has improved its educational system significantly in the last several years, with an emphasis on growing public spending in this area. This thorough analysis aims to determine how government spending affects education in Ethiopia's economy. Together with providing suggestions for upcoming policy decisions, this assessment will also examine the opportunities and difficulties the government faces in efficiently allocating resources for educational growth. We hope that this review will further the current conversation in Ethiopia on equitable growth and sustainable development and Understanding the status or impact of government expenditure on education in Ethiopia's economy requires an analysis of various factors such as educational outcomes, workforce productivity, and overall economic growth. By examining the articles related to government expenditure on education and its outcomes, policymakers can better understand how these investments influence socio-economic development in Ethiopia.

2. Government Expenditure of Education in Ethiopia.

It is recognized that government spending has increased on a global scale in recent years, both in terms of per capita spending and as a percentage of national GDP (Metteo, 2013). Ethiopia has experienced a similar trend. Official statistics from the Ministry of Finance indicate that annual government expenditure has risen from 20.52 billion ETB in 2003/4 to 756 billion ETB in 2021/22, due to factors such as increasing demand resulting from political unrest, self-financed megaprojects, and population growth. Notably, education expenditure accounted for the largest portion of this total government spending in Ethiopia.

Using secondary data for Ethiopia from 1975/76 to 2011/12, Bazezew (2020) tried to investigate the relationship between educational spending and economic growth. For analysis, the study used the Vector Auto Regressive (VAR) and Vector Error Correction models. The study's conclusions showed that there is a relationship, both short- and long-term, between Ethiopia's economic growth and its spending on education over the study period. Numerous studies at the microeconomic level, such as Raja Aris (2021), Abdullah et al. (2020), and Mohamed Noor et al. (2016), have demonstrated that education parameters in Malaysia contribute to the generation of greater human capital. Simultaneously, since Malaysia's independence in 1957, the education process has been gradually evolving and improving its overall macroeconomic impact on economic growth (Rambeli et al., 2020; Hashim et al., 2020). Dinkneh & Jiang (2015) used secondary data spanning the years 1980–2013 to examine the relationship between Ethiopia's economic growth and human capital, as measured by spending on health and education. The study's findings show that public spending on education and Ethiopia's economic growth over the study period have a favorable and statistically significant long- and short-term association. Similar to this, Kidanemariam (2015) carried up a study to look at the influence of human capital on Ethiopia's economic growth utilizing 37 years of annual data from 1974/75-2010/11. To examine this association, the researcher used the Auto Regressive Distributive Lag (ARDL) approach to co-integration. The findings of the co-integration test verified that, for the Ethiopian economy under consideration, there was a long-term, stable relationship between education and human capital.

3. Impact on Access to Education and Quality of Education.

Improved access to education has been one of the main effects of increased government spending on education in Ethiopia. Numerous studies have demonstrated a correlation between increased government spending on education and greater primary and secondary enrolment rates. Education will receive 24% of the entire national budget in 2020–2021. This 24% budgetary contribution for education is higher than the globally recognized goals established by the Education for All (EFA) coalition, which suggests that the education budget should account for 20% of the overall national budget (UNICEF, 2021).

Investment in human capital through improved access to quality education can have significant long-term economic benefits for a country like Ethiopia. While increased access is an important achievement, concerns have been raised about the quality of education being provided with higher levels of government funding. Some researchers argue that despite increased investment, there are still significant challenges related to teacher training, curriculum development, and infrastructure improvement that need attention will help to rise quality of education. The nation's low literacy rate of 52% in 2021 indicates a very low performance in comparison to developed countries and even Sub-Saharan African countries, where the average literacy rate is 67.27% in 2021 (WBI, 2021). This is due to the high priority given to the education sector and the increase in government education expenditure as a result. This shows that a sizable section of the populace—48% of the total—remains illiterate, putting pressure on the government to increase

funding for education and recognize the positive effects such spending has on the nation's economy. This knowledge will support the government's development of targeted policies and calculated initiatives that raise the nation's literacy rate and foster the nation's accumulation of competent human capital, both of which contribute to steady economic growth.

4. Methodology

This study is a comprehensive analysis of Ethiopia's overall government expenditure of education and discuss about its Impact and future prospects. This is a descriptive study. Researcher will use the secondary data. The research relied heavily on secondary sources of information due to its focus on economic issues. Additionally, researcher has incorporated information from journal articles, books, and various websites in the composition of this paper.

5. Objectives of the Study

- To examine the Impacts of current government expenditure on education in Ethiopia.
- To identify the major areas of government spending in education and their contribution to economic development.

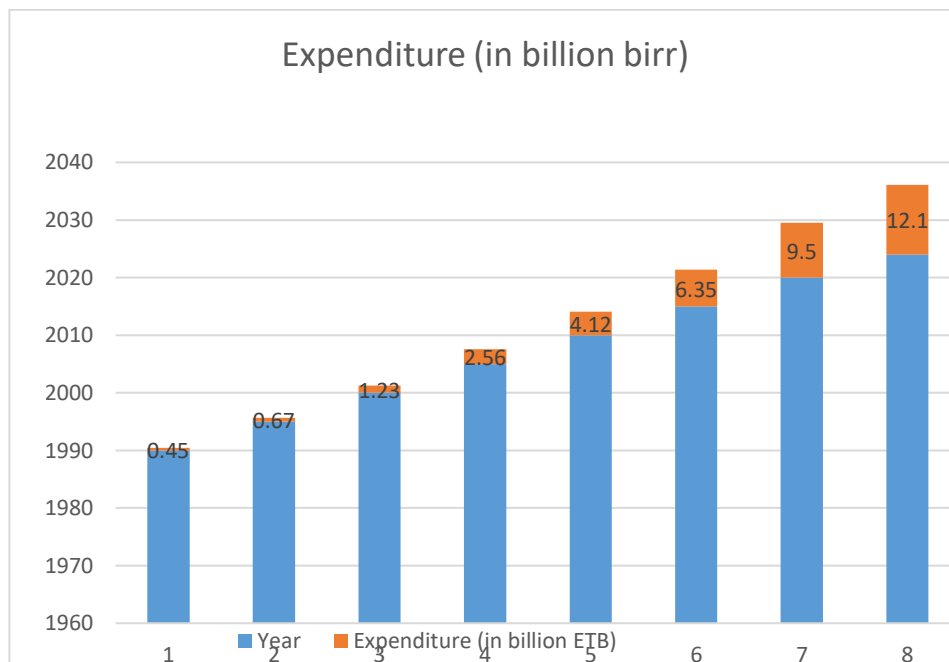
6. The Impacts Current government expenditure on education in Ethiopia .

Government expenditure on education refers to the allocation of public funds towards the provision and improvement of educational services within a country. The aforementioned information indicates that Ethiopia has prioritized the education sector over other sectors in recent years. this includes investments in infrastructure, teacher salaries, curriculum development, and other resources necessary for effective learning. The level of government spending on education is an important indicator of a country's commitment to providing quality education for its citizens. In the case of Ethiopia, government expenditure on education has been a topic of interest due to its potential impact on the economy and human development. The Ethiopian government has made efforts to increase its investment in education in recent years, aiming to improve access to schooling and enhance the quality of educational programs across all levels. Understanding the status and impact of government expenditure on education in Ethiopia's economy requires an analysis of various factors such as educational outcomes, workforce productivity, and overall economic growth. Research into this area can provide insights into how effective public spending on education is in contributing to human capital development and long-term economic prosperity.

There are several methods to look at how government spending on education affects Ethiopia's economy. First off, spending money on education can result in a workforce that is more productive and skilled, which can support economic expansion. the government can contribute to the reduction of poverty and inequality and the enhancement of general living standards by offering improved educational opportunities. a workforce with a higher level of education also has a higher chance of drawing in foreign capital and technology transfer, both of which can accelerate economic growth. Long-term economic development also depends on innovation and entrepreneurship, both of which are greatly aided by education.

Table1: Current Government Expenditure on Education in Ethiopia (1990-2024)

Year	Expenditure (in billion ETB)
1990	0.45
1995	0.67
2000	1.23
2005	2.56
2010	4.12
2015	6.35
2020	9.50
2024	12.10



The source: Ministry of Finance and Economic Development & World Bank,

Key observations: of the graph and the table shows the Ethiopian government's expenditure on education from 1990 to 2024. the expenditure is listed in billion Ethiopian Birr (ETB), which is the local currency so the figures represent the government's budget allocations for education, but may not reflect the actual expenditure due to potential variations in budget execution. most of the table indicates a steady increase in education expenditure over the years, with a significant jump from 2015 to 2020. Firstly, the expenditure increased gradually from 1990 to 2010, with a moderate growth rate and between 2010 and 2015, the expenditure doubled, indicating a significant increase in investment in education from 2015 to 2020, the expenditure increased by 50%, showing a continued commitment to education. Additionally, the projected expenditure for 2024 is 12.10 billion ETB, indicating a further increase in investment.

7. The major areas of government spending in education in Ethiopia include.

Infrastructure development & Access to education: This includes building and maintaining schools, classrooms, libraries, and other educational facilities. Investment in infrastructure contributes to economic development by creating employment opportunities and stimulating demand for construction materials and services. Government spending on programs aimed at increasing access to education for

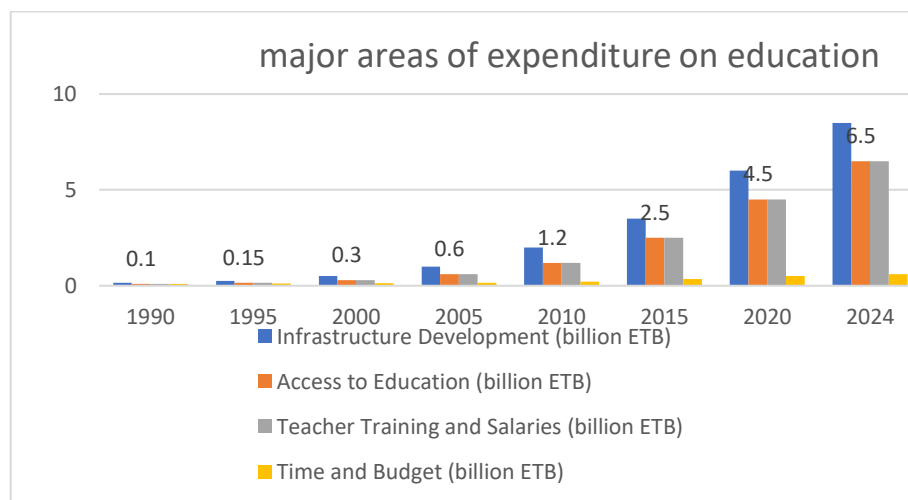
disadvantaged populations, such as girls or children from rural areas, can help reduce inequalities in society and provide a larger pool of skilled workers for future economic growth.

Teacher training and salaries & Curriculum development Government spending on teacher training and salaries helps to improve the quality of education by attracting qualified professionals, reducing teacher turnover, and improving student learning outcomes. A well-educated workforce is essential for economic development as it enhances productivity and innovation, investing in technical and vocational education provides individuals with practical skills that are directly applicable to the workforce, contributing to increased productivity, entrepreneurship, job creation, and overall economic growth.

Table 2: Major area of current government expenditure in Ethiopia (1990 - 2024)

Year	Infrastructure Development (billion ETB)	Access to Education (billion ETB)	Teacher Training and Salaries (billion ETB)	Time and Budget (billion ETB)
1990	0.15	0.10	0.10	0.10
1995	0.25	0.15	0.15	0.12
2000	0.50	0.30	0.30	0.13
2005	1.00	0.60	0.60	0.16
2010	2.00	1.20	1.20	0.22
2015	3.50	2.50	2.50	0.35
2020	6.00	4.50	4.50	0.50
2024	8.50	6.50	6.50	0.60

Sources: Ethiopian Ministry of Finance and Economic Development & World Bank



A key Observation the above table and graph show the fiscal year for which the budget is allocated. Infrastructure Development (billion ETB) are Funds allocated for building and maintaining educational facilities, such as schools, universities, and other supporting infrastructure. The amount increases steadily over the years, with a significant jump from 2015 to 2020. Access to Education (billion ETB): Budget for programs and initiatives aimed at increasing access to education, such as scholarships, tuition support, and outreach programs. This amount also increases steadily, with a notable increase from 2010 to 2015. Teacher Training and Salaries (billion ETB): Funds allocated for training and compensating teachers,

including salaries, benefits, and professional development programs. This amount grows consistently, with a substantial increase from 2015 to 2020. Time and Budget (billion ETB): This column seems to represent a combination of administrative costs, overhead expenses, and potentially, funds allocated for time-bound projects or initiatives. The amount increases gradually, with a slight acceleration from 2015 to 2024 approximately 12%.

8. Future Prospects of Government Expenditure on Education in Ethiopia's Economy.

Increased investment in education infrastructure: The government may continue to prioritize infrastructure development, leading to more schools, classrooms, and facilities. By examining data related to government expenditure on education and its outcomes, policymakers can better understand how these investments influence socio-economic development in Ethiopia. This understanding is crucial for formulating effective policies that promote sustainable economic growth through enhanced educational opportunities for all citizens.

Enhanced teacher training and capacity building: Expenditure on teacher training and salaries may increase, aiming to improve teacher quality and student outcomes and Expansion of access to education the government may focus on increasing access to education, particularly for marginalized groups, through initiatives like scholarships and inclusive programs.

Focus on early childhood education: Expenditure on early childhood education may increase, recognizing its critical role in long-term learning outcomes and human capital development and Emphasis on STEM education the government may prioritize expenditure on science, technology, engineering, and mathematics (STEM) education, driving innovation and economic growth.

9. Conclusion

It is observed that current government expenditure on education in Ethiopia has significantly increased in year by years, recognizing its importance for national development and economic growth and Ethiopian government rising major areas of expenditure which is related on improvement of education so the allocation for infrastructural Development, Access to Education, Teacher Training and Salaries' and Time and Budget grows faster than the other categories, indicating a focus on expanding educational facilities. Greater expenditure on education has contributed to improvements in literacy rates and school enrollment. However, the overall impact on educational quality and outcomes requires continued focus on efficient resource utilization and addressing systemic issues and for sustained progress, there needs to be a strategic approach to increase funding, enhance efficiency, and ensure that expenditures are aligned with educational goals and needs.

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