Public education spending and poverty in Burkina Faso: A CGE approach

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Background/Rational

- **With an average GDP growth of 5.1% over the last 10 years, BF remains one of the poorest countries and has consistently scored very low on all social indicators, with a national poverty rate of 43,9% in 2010.**

- **The government in power over more than 20 years has renewed its commitment toward reducing poverty through its 2010 "Strategy for Faster growth and Sustainable Development" and expects to reach double digit GDP growth over the next five years.**

- **An important pillar of its new development plan is to increase access to basic services, in particular by deepening the human resource base as a means of promoting sustainable growth.**

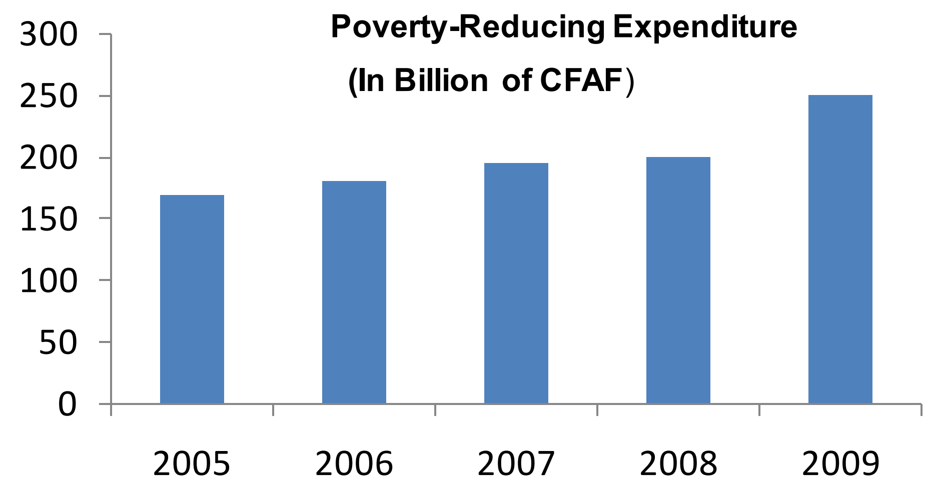
Background/Rational (cont.)

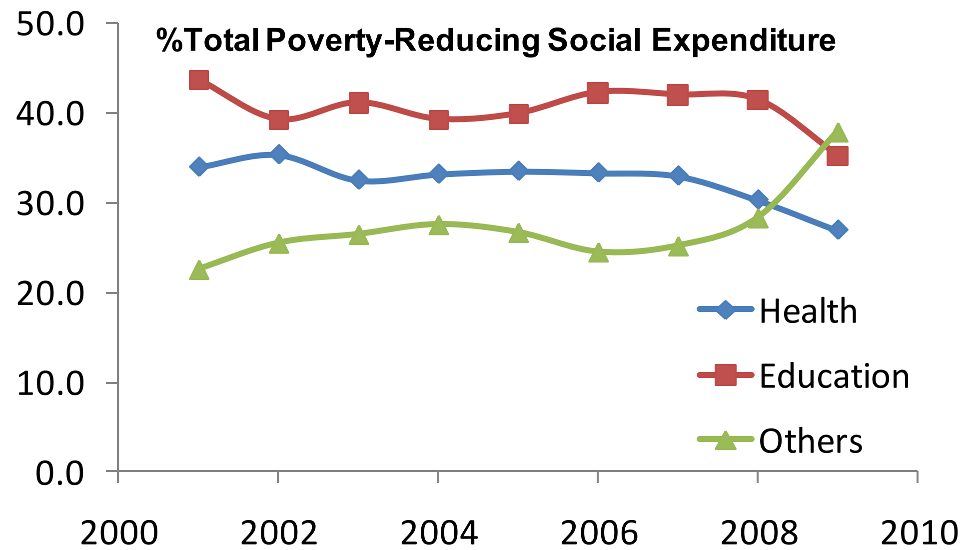
- Poverty-reducing outlay reached an average of 24% over 2007-09, up from 22% in 2001-06

- Education was given an important share and amounted for more than 40% of the total social spending over the last 10 years

- In line with its new poverty reduction strategy, the government launched a ten-year development plan for education in 2010 aiming to increase school enrollment rate an improve the efficiency and the quality of education.

- Rational: in light of this background, testing empirically an increase in public spending in education in a context of constrained fiscal space could stimulate policy debate.





Objectives

Main objective

- analyze the effect of allocating additional resource to education on welfare and poverty in BF

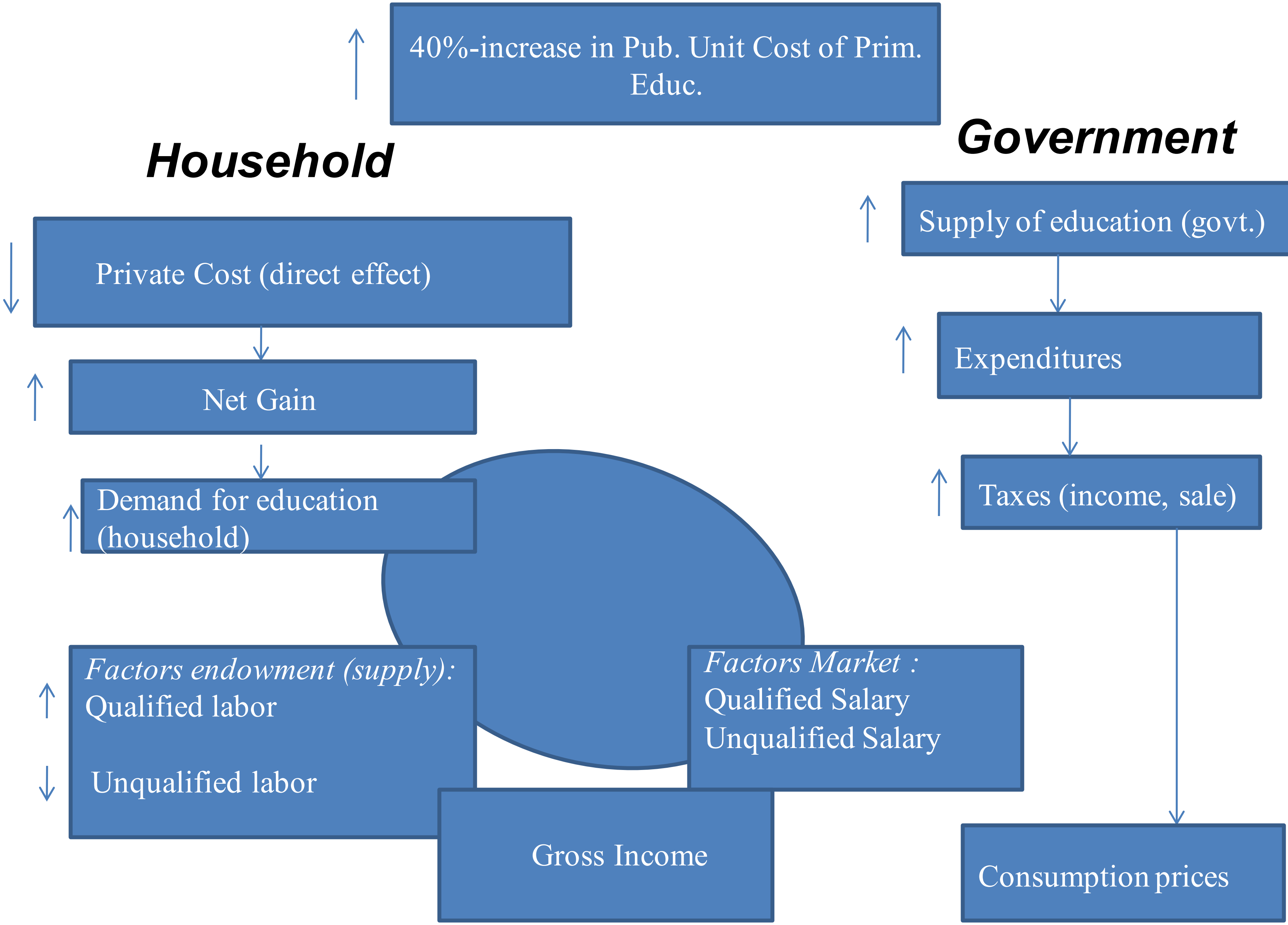
Specifically

- 40%-increase of resource allocated to primary education sector through two alternative domestic financing mechanisms:

(1) raising sale tax;

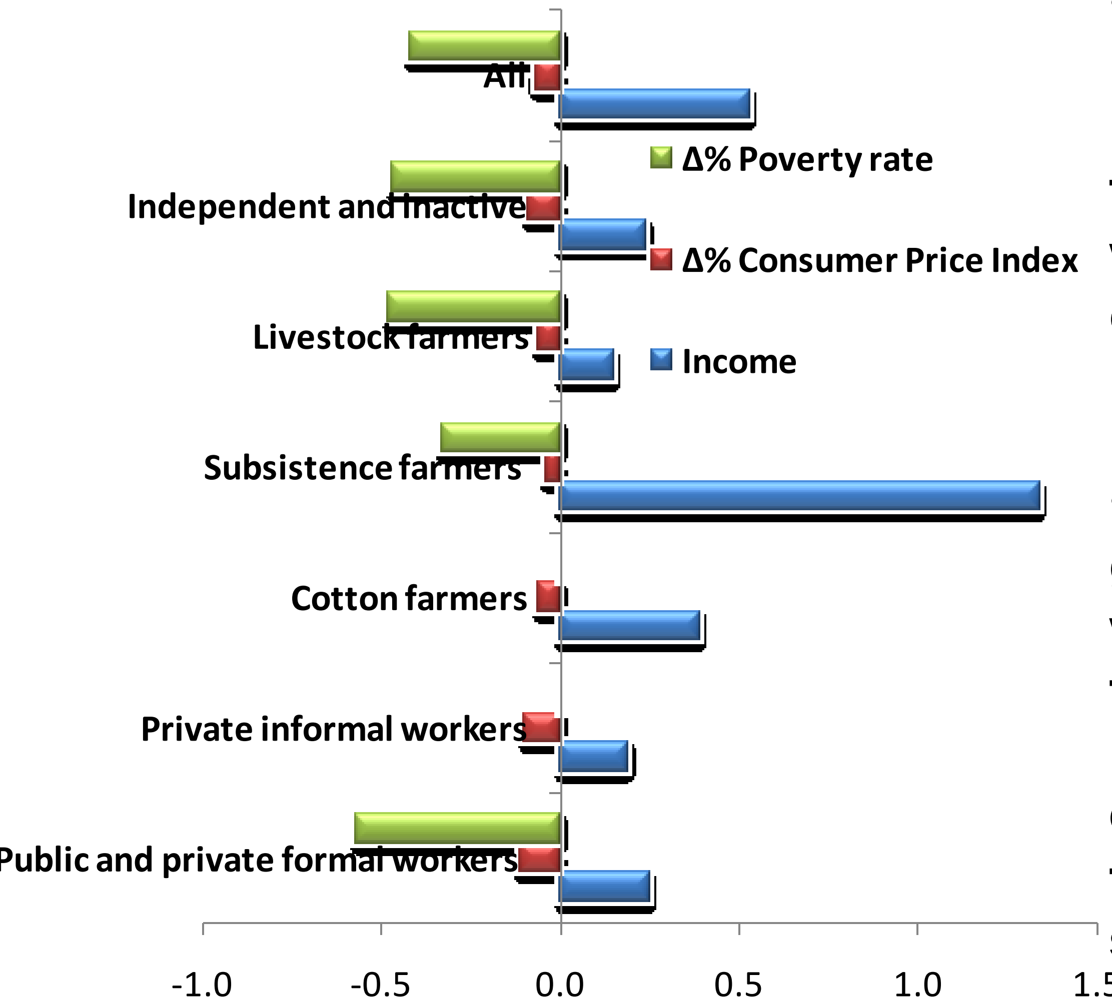
(2) raising income tax.

Methodology



Simulation Results

Impact on poverty (40%-increase in Prim. Educ. Spending by Gov. compensate with 7.2% income tax increase



- **Decline in the number of poor in the country (-0.42%).**

- **The poverty rate among both households informally working in the private sector and cotton farmers remains unchanged, while all other household categories experience a decline in poverty.**

- **The second scenario (same govt. spending compensate with 2% sale tax increase leads to a lesser decrease in the number of poor across the economy (-0.33%), a decrease that also varies by socio-professional category.**

Policy Implication

- **Public education spending policy would have substantial and differentiated impacts which benefit the poor and non-poor alike in Burkina Faso .**

- **The method of financing an additional spending policy in the education sector conditions the impact of the policy.**

- **Financing the policy through a tax on household incomes would have greater redistributive effects – a greater decrease in the number of poor households – than if it is financed by a sale tax.**

- **Finding shows that the government must choose wisely when considering policies to domestically finance education policy**

Way forward

- Endogenize the level of secondary and post-secondary education in a dynamic model

- Further segmentation in the labour market

- Allow households to make more complex decisions by allowing them to select the level of education they wish to attain through investments in education.

Full paper is available here

http://ssrn.com/author=1644855