

EFA FTI Global and Regional Activities Program Stakeholder Consultation

Thematic Area: Education Financing

Effectiveness of education expenditures

The thematic paper identifies five (5) issues that need to be considered alongside the quantum of funding made available for education. These are important issues and rightly picked up by the paper. In addition, there is another important issue that deserves to be highlighted – effectiveness of education expenditures.

Analysing the effectiveness of education expenditures relates the performance of an education system (measured in terms of key outputs and specified processes) to the volume, allocation and use of education expenditure.

Analysis of the effectiveness of education expenditures can focus on the different levels of education (pre-school to tertiary) to observe differences/changes in key performance indicators over a period of time.

Analysing the effectiveness of education expenditures necessarily involves links to key performance indicators for the different levels of education.

Knowledge and activity gaps

Overall, the structure of the proposed activities appears sound. This paper provides specific comments on each of the identified activities for improvement in a particular aspect.

This paper also recommends an additional activity be considered for adoption – Funding for equity in educational opportunity. This will help to focus attention on one of the key issues identified in the background section of the thematic paper.

Activity 1: Development of a methodology to improve national reporting systems on financing flows

The scope of the activity could be broadened beyond simply mapping the financial flows. This activity could also map the *effectiveness of education expenditures* against the financial flows. This means extending the analysis to include key performance indicators for education. These could then be mapped concurrently with the volume, allocation and use of funds (financial flows).

It would be useful as part of activity 1 to consider the development of Education Sector Annual Financial Performance Reports as one of the potential deliverables for this activity.

The thematic paper correctly identifies the importance of reporting mechanisms that reflect individual country context. At the same time, there is value in working towards regular and periodic reporting systems built around an annual reporting cycle.

The development of an annual financial performance report for the education sector can:

- distil essential timely information on education financing to identify key achievements and critical problems
- allow government, donors and communities to have a common detailed understanding of how much is spent and where
- inform regular adjustment to government financing strategies as achievements and problems are assessed

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- hold government at a national level and below to account for expenditure that is less than required or promised.

A key benefit of a regular annual reporting cycle is that changes and problems in resourcing policy or impacts at the school level are identified before becoming entrenched. This can feed into the budget planning process, with adjustments to short and medium term resource allocation decisions.

The ability to demonstrate effective use of additional resources mean these documents can be effective mechanisms for communicating achievements, progress and outstanding areas for improvement. A high profile regular report becomes a standard reference document for all. This raises the standard of debate and policy dialogue by focusing attention on empirical trends in resourcing as well as performance targets, policy settings and outcomes.

The financial reporting can be a part of a larger annual report on the education system that analyses broader sector performance in key areas such as learning outcomes, participation, school facilities and teaching and curriculum issues. Such reports often feed into joint annual sector review processes established under sector wide approaches and where government systems are being used for aid delivery.

Activity 2: Development of a tool to assess the fiduciary risk in the education sector

This activity is well documented and no significant changes are proposed. However, it would be prudent to allow for the possibility of the activity developing more than 1 tool depending on the given conditions of different countries. Variation including the fragility of the state, technical capacity and prior recent activity in fiduciary risk assessment may all contribute to more than one (1) tool being recommended.

Activity 3: Development of financing initiatives connecting resources to results

This activity seeks to provide a technical basis to underpin the EFA FTI transition from an input-oriented approach toward a results framework for tracking progress. Since the 'results framework indicators' have already been specified, presumably this activity will formulate funding approaches and a set of lower order indicators that might be considered when assessing applications for funding and then evaluating endorsed projects.

This is a sound approach which should address one of the key criticisms levelled at output-based funding models – outputs can fail to meet specified targets due to factors that are beyond the control of the education sector. This is especially the case in fragile states and other very poor countries that make up the developing countries of the FTI partnership.

One specific approach that should be explored by this activity is the funding of accreditation schemes for schools and teachers. Accreditation schemes which increase the number of quality teachers and suitable schools provide a measurable basis for registering improvements in the ability of an education system to provide quality schooling. These can then become stepping stone indicators towards improving school retention rates, quality of graduates and transition rates to higher levels of schooling. They are measurable and can be both viewed as both input and output based indicators which have the advantage of measuring real improvements while getting around the externalities (eg civil unrest, famine, climatic events) that can upset higher order output indicators (eg NER and GER).

A specific application of this approach relates to the design of school improvement grants. These are often input-based, rather than output-based grants, with frequently limited attention to well-defined quality related outputs (eg school accreditation, improved student exam results). Limited output/impact evaluation information is available, probably due in part, to the

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lack of specified outputs at design stage. Such school improvement grant programs might benefit from better output definition, in order to begin to transfer performance risk and strengthen transparency and accountability for outputs/outcomes. Output definition and cost rationale can be strengthened if the inputs/costs are more directly related to achieving school accreditation as the primary output.

Activity 4: Development of an approach for implementing innovative financing for education

The development of innovative financing approaches for education is an important initiative. We have no further comments to add on this activity.

Proposed New Activity 5: Development of integrated funding approaches for equity in education

To be equitable, education systems need to allocate additional resources to address poverty, social barriers and the integration of students with disabilities. Promoting equity in education requires appropriate analysis and integrated funding approaches that are sustainable and able to be applied over the medium and longer terms to effect meaningful changes.

Equity analysis needs to consider public and private sectors of schooling. This is especially important in countries with a significant share of children enrolled in private schools (or where the poor are overly represented in private schools).

The proposed activity could focus on five (5) different countries with different equity challenges (remote communities, ethnic minorities, students with disabilities, gender imbalances) and use seed funding as well as capacity development activities to support medium to long term structural changes in education funding. These changes in the use of domestic and complementary donor funds can sustain meaningful improvements in the commitment and use of resources for equity improvements.

Proposed activity #5:	<ul style="list-style-type: none"> • The EFA FTI Partnership should ensure that EFA FTI developing country partners can implement diagnostic assessment and integrated funding approaches for equity in education. These approaches will have to : <ul style="list-style-type: none"> ○ Be consistent with the ESP and budget approach of each country; ○ Identify the capacity development needs for implementing an integrated funding strategy; ○ Propose an assessment tool for rapid diagnostic assessment of the financing status for education equity and associated funding gaps; ○ Make a proposal on the best modalities for integrated funding approaches, including for fragile states, and to recommend means of enhancing the sustainability and domestic ownership. The role of public transparency and stakeholder support ought to be highlighted.
Type of activity	<ul style="list-style-type: none"> • Research and basic knowledge • Technical workshops and knowledge dissemination • Technical assistance • Intervention to inform scale up
Link with results framework indicators	<ul style="list-style-type: none"> • Indicator: Percentage of endorsed ESPs that include effective strategies to achieve equitable access and that target children with special needs and the prevention and mitigation of the effects of HIV/Aids
Proposed approach	<ul style="list-style-type: none"> • The activity should be tested in at least five EFA FTI developing country

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#5	<p>partners. Countries will develop or update education equity assessment tools relating educational participation, education outcomes and processes to financing for education. The assessment should consider not only the quantum of funds but also the equity impact of the allocation and use of funds.</p> <ul style="list-style-type: none"> • Based on the equity assessment and funding gap analysis, countries will develop and then implement an integrated equity funding strategy. • Some of the participating countries should be judged likely to have high fiduciary risk ex ante, and some should be judged to have lower risk. Some should be relatively more fragile states, others may be less. So, the performance of the approach should be assessed in a variety of conditions. The activity needs to be explicitly and concretely aimed at improved ESPs.
Expected deliverables #5	<ul style="list-style-type: none"> • An operational tool to assess equity in education and adequacy of existing resourcing strategies in the education sector; • The design of integrated equity funding models that lodge targeted funding strategies within mainstream government education financing • A pilot intervention in at least 5 countries which will consist of testing the diagnostic operational tool and equity funding models, implementing capacity development activities to support design and implementation of this tool by the local education group; • A series of international/regional workshops with representatives of donors and government to present the new methodology; and • A document detailing lessons learned, ready for further dissemination.

The proposed activity should support the development of appropriate diagnostic tools that cover areas such as the following:

- **Funding for poor and remote areas** to ensure that adequate resourcing goes to highly needy areas. Unit costs for providing education in remote areas are often much higher than other locations because of lower student: teacher ratios and the need to provide boarding facilities, school feeding programmes and housing for teachers. Average expenditure per student in remote areas less than or equal to the national average usually indicates an inequitable resource allocation.
- **Non-salary shares of expenditure** for poor and remotes areas is very important because these are usually the least able to provide private sources of funding for classroom materials, equipment and school maintenance.
- **Targeted funding for students with disabilities** helps track the annual amount of operational expenditure and capital investment that is available to meet the specific needs of this group.