

**EFA FTI Global and Regional Activities Program
Consultation 2
August 2011**

Thematic Area: Education Financing

UNESCO Comments

Comments of the IIEP

IIEP confirms its interest in collaborating with FTI in developing the potential of partner countries in designing, implementing, and monitoring their education sector plans.

The Institute suggests contributing to the implementation of the following identified activities:

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

Activity 2 – Development of a tool to assess the fiduciary risks in the education sector

Activity 4 – Development of integrated funding approaches for equity in education

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

Comments on activity 1

The objectives set to this activity are multiple: identifying financial mechanisms; producing financial statistics covering the whole sector and all stakeholders; analyzing resource allocations within the system. This could represent a heavy load for each individual country involved in the activity, and we agree with the first comment that we should be consistent with the technical capacities of the individual countries.

It is important for countries to have a good vision of the costs at the various levels of education: Who is funding? What are the total and unit costs for the various categories of institutions, by object of expenditure? This is a technical issue of mobilizing and processing financial information and problems to solve in this domain are already many. However this is important information at national level for analyzing allocations between levels, for costing ESP objectives and MTEF.

Due to the centralized feature of the majority of the sources of information on financial flows (Government budgets, external aid, but also households surveys that are based on a national sample of households), the objective of having complete financial estimates at local and school levels, seems too ambitious. In fact, the analysis of resources allocations within the system could be done also using non-financial resources indicators. Analysis of disparities in pupils/teacher or pupils/class ratio are resources indicators that are useful to analyze equity and efficiency in allocations within the system. They are much easier to process for analyzing disparities between regions and schools than to consolidate financial resources mobilized at local or school level.

What we propose to do

As correctly mentioned in the GRA paper, the challenges and obstacles which partner countries must deal with when looking at available financial information are many and complex. The National education accounts methodology used has helped countries to produce a steady flow of statistical information on expenditures for education in conformity with international practice. This also enabled them to provide data for important international statistics. However one lesson drawn from IIEP past experience is the difficulty for countries to ensure the sustainability of such comprehensive information system on expenditures. Reasons may come from the limited economic background of many education planners, from the difficulties to mobilize information requiring tenacity, and also from the difficulties to work with data available in very different format requiring finding solutions to make estimates. Another lesson is that some sources are better known and easier to mobilize than others: Government budgets, existing household surveys more than financial statements from schools or universities.

IIEP proposes to work with up to seven countries on improving their capacity to produce complete statistics on education financing and expenditure.

Through a series of technical workshops, and using a learning-by-doing approach, participating countries will cover the following areas:

- analysis of Government budget, processing budget data to get expenditures by level of education and categories of school and object of expenditures.
- analysis of resource allocation to local and school levels
- analysis of Households expenditures on education
- analysis of external funding and inclusion in MTEF
- production of complete financial statistics covering public, private, and external sources

All countries will **analyse Government budget**, processing budget data to get expenditures by level of education and categories of school and object of expenditures.

In order to avoid overloading country teams with the full scope of issues, and to better manage the technical difficulties to be solved in one country, IIEP will work on specific issues with each of the countries. However, the full scope of the issues mentioned above will be covered in the technical workshops.

Specifically:

- **Countries working on allocation of resources** within the system will build a systematic approach for analysis, using financial and physical indicators to analyze efficiency and equity issues in the distribution of resources throughout the system. The national teams will aim to disaggregate Government budget by regions.
- **Countries working on households surveys** will have to mobilize information from existing households' surveys and analyze the results. They will also have to draw lessons for the design of the questionnaires regarding education, to explicit methods for updating information to more recent years. A written methodology, together with a concrete application in two countries will be useful for other Ministries of education in their discussions for the design of households' surveys.
- **Countries working on external aid** will have to mobilize information on all current activities funded from external sources, either included in the Investment Budget report, either using projects follow-up or reports. They will have to analyze issues of inclusion within the Medium

Term Expenditure Framework. This activity is aimed at providing guidelines for other countries willing to develop information in this area.

The **target for the activity** includes planners, statistician, and budget/finance officers from the ministry of education, statisticians from National Institutes for Statistics, and officers from the Ministry of Finance. One essential condition of success will relate to the setting up of national teams with the right mix of participants.

Deliverables will include:

- Training packages
- A compendium of methods to (i) analyse resource allocation, household education expenditures as they appear in household surveys, as well as external funding; (ii) to produce complete financial statistics covering public, private, and external sources; and (iii) to solve data issues.
- Mapping of expenditures by level of education and categories of school and object of expenditures in the seven participating countries.
- One full national information system on financial flows covering all levels of education, all funding sources (public, private and external), all categories of schools (public and private).

The level of targeted results should be expected to vary from a simple separate processing of Government budget, households surveys and external funding to a more comprehensive approach aiming at consolidating all sources of data into one framework.

What we expect to achieve with beneficiaries

By the end of project implementation, partner countries involved will have **produced information and indicators on Government expenditures and resource allocation**. In the process, country team will be bringing and putting consistency all financial information in the field of education to **provide an organized view of funding and costs**. The bases will have been established for a **regular assessment, every year, of education spending**.

As specific attention will have been paid to equity matters, national teams will be in a better position to **understand issues related to inclusion and retention and address them** from a financial and budgetary viewpoint. By linking the production of financial data and educational planning and management analyses, country teams will be in a better position to propose options to **improve the scope of educational coverage** in their countries.

The Institute proposes to **focus implementation on a coherent regional cluster** of countries in order to create a dynamic **for productive transfer of knowledge and further cooperation among participating countries**. The technical workshops and a wrap-up seminar will help achieve this objective. Methods and technical solutions will be discussed throughout as well as the utilization of financial information for planning and management. The issue of **reporting to UIS and filling international questionnaires will be addressed**.

Possible implementation partners

They include, but are not limited to, UIS (irrespective of the partner countries chosen for implementation), and the Pôle de Dakar if the activity is implemented in French-speaking Africa

Our added value

IIEP has a long experience of working with countries to set up information systems on expenditures. To implement this project, the Institute will draw on its extensive know-how on cost analysis techniques and indicators, financing policies, costing of development objectives and projections, budgeting and MTEF, information systems, as well as financial statistics and unit costs, costing of development plans, projection and simulation tools, households costs and fee free policies or measures to decrease family costs for poor , private schools and public private partnerships, allocation to schools, transparency and tracking surveys

The Institute will ensure that the methodologies and approaches it uses will actually transfer knowledge to the national teams to analyze financing mechanisms, collecting and putting together financial data, and setting up the analytical framework needed for helps give a global view of educational expenditures.

Activity 2 – Development of a tool to assess the fiduciary risks in the education sector

Improving transparency and accountability in education is a major prerequisite for progressing towards the attainment of the Education for All Goals. In this context, IIEP’s programme on ethics and corruption in education, launched as early as 2002, aims at diagnosing major forms of corrupt practices within the educational sector; and at identifying successful strategies for improving transparency, accountability and integrity in the use of educational resources. Within this framework, it has conducted a wealth of activities, including the creation of an information platform, ETICO; the publication of more than 15 titles; and the organisation of more than 30 courses, workshops and policy forums. It has developed a wide variety of partnerships within this framework, including with the World Bank, the U4 Anti-corruption Resource Centre, Transparency International and the Open society Institute. It is proposed to capitalize on the rich experience accumulated within this framework, and on new initiatives recently launched as part of this programme, to organise the four following activities under the GRA dealing with Education Financing, namely:

- two regional courses on Public Expenditure Tracking Surveys (PETS) in education;
- two workshops on strategies to promote social accountability in the education sector;
- an exploratory study on the challenges raised by new aid instruments from a transparency perspective.
- a policy forum on transparency and accountability in the targeting of pro-poor incentives;

Regional courses on PETS

Target group: senior technical personnel (Ministry of Education; the Ministry of Finance, and, eventually, the Ministry of Health); Members of national statistics institutions; technical experts in NGOs, think tanks, and universities with diverse technical backgrounds such as budget and policy analysis, survey design and management

Expected result: *Participants are able to simulate the implementation of a PETS at all stages*

Deliverables: *training packages and preliminary PETS proposal for participating countries*

Public Expenditure Tracking Surveys have proven their capacity to help diagnose possible leakage of funds in the education system, as well as reduce them thanks to adequate information campaigns. In this context, it is proposed to organize two regional courses on PETS in education, in South Asia in 2012 and in Latin America and the Caribbean in 2013. Using materials designed by IIEP, participants will simulate the practical steps of a PETS, from its design to implementation. They will also discuss how this methodology can be applied to the situation in their respective countries. They will develop a preliminary PETS proposal for their own country on this basis. Four national teams will be invited to

participate in each regional course (tentatively Bhutan, Laos, Cambodia and Vietnam for South Asia, and Nicaragua, Honduras, Guyana and Haiti for Latin America and the Caribbean) ; they should reflect the composition of that which will manage and use the PETS in each country, i.e. senior technical personnel from the Ministry of Education; the Ministry of Finance (and, eventually, the Ministry of Health); Members of national statistics institutions; and technical experts in NGOs, think tanks, and universities with diverse technical backgrounds such as budget and policy analysis, survey design and management. Some of the training materials that were prepared by IIEP for courses it organised previously on this issue will be translated. In addition, new materials will be prepared to adapt to the specific contexts of the countries involved.

Workshops on strategies to promote social accountability in the education sector

Target group: civil society organisations that are particularly active in the area of education

Expected result: Better understanding of the impact of new aid modalities on budget management at national level from a transparency viewpoint.

Deliverables: Training packages

Civil society organisations have a special role to play to help detect and fight against corruption practices with the education sector, provided that they have been equipped with adequate tools to do so. In this connection, it is proposed to organise two workshops on strategies to promote social accountability within the education sector. The first one will be held in 2012 in Central Asia, and will target in particular Kirgizstan, Mongolia, and Tajikistan; the second one will be held in 2012 in Eastern Europe, and will target in particular Albania, Georgia and Moldova. Each workshop will be aimed at about twenty representatives from civil society organisations that are particularly active in the area of education. The material needed for the preparation of the course will be prepared by the IIEP on the basis of the lessons drawn from the various studies conducted previously within the framework of its programme on ethics and corruption in education. Particular attention will be given to participatory diagnostic tools, like report cards, which can be designed and implemented very successfully with the help of civil society organisations. Collaboration with IIEP partners, in particular with the Open society Institute and Transparency International, will be sought to this end.

Exploratory study on the challenges raised by new aid instruments from a transparency perspective

Target group: donor community

Expected result: Better understanding of the impact of new aid modalities on budget management at national level from a transparency viewpoint.

Deliverable: one publication

Various instruments have been piloted and promoted by donor agencies in the education sector to introduce more flexibility and responsiveness to government needs, such as sector wide approaches (SWAPs) and budget support. Although such approaches may help better coordinate external and national support, and increase flexibility in the management of aid flows, they may also open new fiduciary risks, due in particular to low institutional capacities. Within this framework, it is proposed to launch an exploratory study in 2012 to assess the new challenges raised by the use of budget support and sector wide approach from a transparency and anti-corruption perspective; and to document best practices to limit potential risks. Classical methodological tools such as risk analysis, red flags, etc. will be mobilized to this end. The case study will focus on a country benefiting from FTI funding; its selection will be made in close consultation with FTI Secretariat and with the donor agencies working in pre-selected countries. If possible, this work will be extended to two other countries during the following years. The

results of all the case studies will be widely shared among the donor community, with the help of FTI Secretariat.

Policy meeting on transparency and accountability in the targeting of pro-poor incentives

Target group: decision-makers and high-level officials from ministries of education and development agencies.

Expected result: Increased awareness of the strategies that maximize transparency and accountability in the management of incentives

A wide variety of incentive programmes have been developed to help provide additional resources to those who are most in need, and to create adequate conditions for their schooling and academic success. They attempt in particular to compensate the direct costs of schooling (e.g. school fees, uniforms, textbooks, and supplies) and indirect costs (e.g. opportunity costs where families cannot afford the loss of income or labour contribution) by redirecting resources to the geographical areas, schools, or populations most in need. Some are inclusive and cover all vulnerable groups, other follow categorical schemes and target specific groups. In order to better understand how policy-makers can assure greater transparency in the targeting and management of such incentives, IIEP has commissioned seven case studies on innovative experiments conducted in Brazil, Cambodia, India, Peru, South Africa, USA and Vietnam; those experiments have been selected according to various variables that may influence their degree of transparency and accountability (e.g. targeted vs. universal, conditional vs. unconditional, etc.). On the basis of the comparative, synthesis report IIEP proposes to organize an evidence-based international policy forum to present the main outcomes of the research to decision-makers and high-level officials, during the first Semester of 2012. It will provide a good opportunity to discuss successful strategies to maximize transparency and accountability in the management of incentives, and minimize the likelihood of corrupt practices.

Activity 4 – Development of integrated funding approaches for equity in education

In a growing number of countries, a significant management reform is under way: schools which in earlier years had very little or no say in financial management, now receive grants directly from central authorities which they can manage with some autonomy. Such grants should have at least three advantages: less bureaucracy, greater relevance and less leakage. The reality however can be different from the theory. Some studies have been conducted these past years on the design and characteristics of school grants policies. However, there is a knowledge gap on how such policies actually contribute to increased equity and improved quality at school level.

What we propose to do

IIEP proposes to undertake a thorough analysis of the design and implementation process of school grant policies, with a focus on the use of grants at school level and their contribution to equity and quality. We intend to undertake the following activities

Selection of three or four countries in which to undertake the analysis; constitution of national teams which will integrate an independent national research institute and representatives from ministries of education

- Technical workshop, to launch the research and to agree on a common analytical framework and tools (including through pilot exercises)

- Detailed field research in a group of schools in each of the participating countries. The research will be undertaken by a national centre, with close support by IIEP
- Preparation of national syntheses and international comparative report
- Preparation of policy brief on the successful implementation of school grants.

What we expect to achieve

- Gain a deeper understanding of how the design and implementation of school grants policies influence educational equity and quality
- Identify how school grant policies can be designed to contribute to quality and equity and to ultimately be of benefit to the child enrolled at school
- Strengthen the expertise and skills of national research centres
- Raise awareness of decision-makers in Ministries of Education on the policy implications of the research.

IIEP's added value

IIEP has undertaken over several years detailed research on the implementation of decentralization policies. This research has helped guide policy-making in participating countries. The Institute is at present leading research on the “use and usefulness of school grants” in five East and Southern African countries.

IIEP has the know-how of working closely with national research centres and with ministries of education. We also have successfully translated research results into policy advice.

Comments by the UNESCO Institute for Statistics

1. Introduction

As requested in the instructions for the GRA consultation, the emphasis of this document is on activities currently underway or that the UIS would be committed to in the area of data on education finance, as well as providing comments on the content of the thematic paper.

2. Activities with possible contributions by UIS

2.1 Assessment and improvement of national reporting systems on financing flows

(slightly revised heading)

The UIS has been working in many of the areas described in the first part of this section and is ready to collaborate with the FTI on ongoing and future activities.

In terms of a development of a methodology to improve national reporting system on financing flows – UIS would rather propose that one which is already well-tested and in use internationally. The UIS, together with OECD and Eurostat has developed a strong conceptual framework for cross-nationally comparable reporting on financing flows which covers sources and uses of education spending. OECD countries continue to report internationally comparable education financing data based on this framework and it has been applied as part of a more intensive approach in other international data

collections, such as the World Education Indicators Programme, and a somewhat less intensive approach in the core UIS Global Education Survey.

The conceptual framework can be consulted at:

http://www.uis.unesco.org/template/pdf/UOE2010/UOE2010manual_volume_1.pdf

It is implemented in our questionnaires:

- UOE Finance 1 and 2 <http://www.uis.unesco.org/template/pdf/UOE2010/10Finance.xls>
- UIS Ques. B: http://www.uis.unesco.org/template/pdf/Survey_2011/EN_QB_2011.pdf

Based on this framework and data collection, we publish indicators that show contributions by the public, private, and foreign sources.

- Global Education Digest (GED), Table 14, Page 212 (<http://www.uis.unesco.org/publications/ged2010>)
- WEI2007 tables showing data by source (2.a.i, 2.b.i & ii) and Public private transfers (2.c.w) (http://www.uis.unesco.org/template/pdf/wei/2007/Chap3_Tables.xls)
- WEI2007 tables showing that expenditure by type of use are reported by whole sector, i.e. public+private (http://www.uis.unesco.org/template/pdf/wei/2007/Chap3_Tables.xls)

A big part of the data gaps comes from the absence of private expenditure data. For UIS, this is an area which needs to be better addressed. There should be support for countries in collecting and analyzing private expenditures (including household and other private entities) although it would take considerable resource investment. One of the concrete exercises is a support for data extraction from existing national household surveys as being included as part of CSR exercises or providing standards and examples for adding a component on household education expenditure to existing surveys. It would be most sustainable if the countries themselves become able to make estimates of private spending for inter-census/Household survey years and use it for their own national planning and international reporting purposes.

In 2008, the UIS started work in five Central and West African countries in conjunction with national teams to document finance sources and to improve reporting of finance data based on the CSR framework. Financed by the Education Program for Development Fund, this two-year project was designed to improve the availability, quality and sustainability of education finance data. The project involved intensive work with national teams to document, rationalize and improve data sources in order to produce a strategic set of analytic indicators that will continue to be produced by the country on a regular basis. In 2009, this involved national workshops in the five participating countries: Benin, Burkina Faso, Central African Republic, Mali and Togo. A workshop brought together all of the national teams to review their efforts made and consider future analysis. At the beginning of 2011, the Institute began implementing a similar education finance capacity building project in Gambia, Ghana, Malawi and Rwanda, which is now moving into its second phase.

In addition, with OREALC, the UNESCO regional office in Santiago and IIEP Buenos Aires, the UIS has launched a similar capacity building project in Ecuador, Guatemala and Nicaragua focusing on the compilation, use and reporting of education finance data. An initial meeting among country representatives and experts was held in April in Ecuador. Project implementation is currently underway.

2.2 Develop a tool to assess fiduciary risk

2.3 Develop initiatives to link resources to results (simplified language).

This is a very difficult area – but the mechanism-based approach makes it clearer in terms of what is expected.

2.4 Develop funding approaches for equity in education

Equity of what? Spending? Outcomes? But it's not horizontal equity – everyone gets the same share of resources, is it? Isn't it about compensatory efforts or equal educational opportunity? Again, by defining policies, it makes it much clearer what is expected.

2.5 Develop innovative financing mechanisms

3. Summary of possible UIS contributions

UIS could play a role mainly in Activity #1 on improving national reporting (and use of national reporting) on financing flows drawing on existing conceptual frameworks and especially on the post-CSR follow-up which has been developed and tested by the UIS in about ten countries. The UIS would be keen to work with others (e.g., Brookings, FTI, World Bank) to build and move ahead an agenda focused on improving measures of household expenditure on education.

4. Additional comments on the text

(Starting from Page 1 of Thematic Area: Education Financing document)

Page: Paragraph

1:3 In order to understand the efficiency of education financing, one should know the full cost of education. For example, if the implicit social compact is that governments pay for teachers and capital costs and parents are meant to pay for learning materials and recurrent maintenance costs, how does one judge the efficiency of each in terms of learning outcomes?

2:2 “This is usually the result of a lack of incentives...” This sentence is too much of a generalisation regarding a complicated issue. It may also be that remote, rural schools can be more costly per student because of the distance and lack of infrastructure.

“Concerning the social disparities...” There should be a reference to the research which supports this statement.

“Parents and especially poor parents...” Yes, and this is where we would say that there is a major data gap and that efforts towards improving knowledge of domestic expenditure, especially from households and other entities is further explored.

3:3 “Iv. To articulate policy...” should the word “objectives” be added here? Otherwise an incomplete sentence.

3:5 This activity represents quite an ambitious agenda – would need more examples of how and where this has been achieved before.

4:3 A costing exercise is no doubt important for planning, but seems that this might belong in an initiative focused on better planning – this section should keep the focus on improving the quality of information – how it is used for planning is a vital but separate issue and risks taking focus away from the main objective.

5: Proposed approach #1. SABER reflects the policy frameworks for financing education and thus could provide a unique and essential perspective on the “rules of the game” which might be complemented by observations of how these rules work in practice. However, the instrument needs to be further piloted and reduced in size in order to be more sustainable and not place undue burdens on national statisticians by duplicating other existing data collections. The links to international reporting are important – a methodology has been developed which links the CSR finance data approach to international reporting and this has greatly improved both the quality and quantity of cross-nationally comparable finance data. Links across Ministries and with Civil Society are institutional contexts which must be addressed, as noted in the deliverables.

References

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- . 2007. Global Education Digest 2007: Costs and Commitments in Financing Education for All. Montreal: UIS.
- UIS/OECD, 2003. Financing Education – Investments and Returns. Montreal:UIS
- Barro, Stephen. 1999. International Education Expenditure Comparability Study: Final Report, Volume I. Working Paper Series. Washington, DC: National Center for Education Statistics.

Comments of the EFA International Coordination Team

ED/EFA is interested to be involved in Activity 5 – Development of an approach for implementing innovative financing for education. Regarding the proposed approach #4, UNESCO would have a role to play in advocacy, capacity development, technical assistance and knowledge dissemination given its current and upcoming activities in innovative financing for education:

- It has been encouraging partnerships with the private sector, e.g., through the UNESCO/WEF initiative “Partnerships for Education” and the organization of the event during the recent ECOSOC to discuss how to bring in philanthropists and the private sector to support EFA. IIEP has produced substantial research on public-private partnerships.
- UNESCO has been strengthening knowledge on innovative financing for education through the work of the Advisory Panel of Experts on debt swaps and innovative approaches to education financing. The Panel produced a report regarding the potential of raising funding for education through the establishment of debt conversion development bonds. A country pilot to test and demonstrate financial techniques proposed in the report is being developed at the moment. UNESCO would be interested in applying this pilot in a number of FTI countries.
- There has been a strong political support from UNESCO member states to innovative financing for education. Changes in the EFA coordination architecture, including the former Working Group and High Level Group on EFA, would provide opportunities for stronger advocacy and knowledge dissemination in the area.

- UNESCO has been and will continue being an active partner of the Leading Group on Innovative Financing for Development and the Task Force on Innovative Financing for Education in order to reinforce the technical expertise and advocacy for innovative financing for education.

Comments of the Asia and Pacific Regional Bureau for Education

The Bangkok office is interested to be involved in some of the activities. Its comments on specific activities are displayed in track changes in the attached annex. There were challenges providing in-depth comments regarding activity 1 due to the office's different approach than the one taken in the paper.