

**FTI GRA thematic paper on education financing
First consultation**

**Comments from UNESCO (Education for All Global Partnerships team
(ED/EFA), IIEP, UIS and UNESCO Bangkok)**

8 June 2011

ED/EFA comments (Lina Benete, l.benete@unesco.org):

Background

Paragraph 1: This needs to be developed further. Any consideration of a financing system for education services should look simultaneously at three dimensions: availability of sources, allocation and utilization. All types of resources should facilitate the sector budgeting process and integrate sector planning with the country's broader socio-economic planning exercise. A distinction should be made between budget and actual expenditure. Budget is the amount of money that is planned and approved for doing something while the actual amount spent on the budget is expenditure.

Paragraph 2: Efficiency of public expenditures should be looked at from an angle of efficiency in resource utilization which concerns the way resources are used, and whether utilization is cost effective. How are the resources for education utilized, e.g. how much is spent on recurrent and investment costs? What can be observed in terms of sub-sectors' share of budget or expenditure in relation to the enrolment, learning achievement, funding arrangement and priority of each sub-sector? Are there wastages in terms of public expenditure on education? What types of wastage are there? Is the government aware of and how does it address the shortcomings in resource utilization?

Paragraphs 4: Equity of public expenditures. It is better to expand the text on "equity in resource allocation" instead of "equity of public expenditures". The former is concerned with whether resource allocation is equitable, predictable and sustainable. A targeting mechanism can be used in order to ensure that resources are allocated adequately to those who need them most and appropriately between education levels and functions. Specific questions need to be asked to address these disparities. How does the government finance the education sector and what do they finance? What and how much are parents/households expected to contribute to the schooling of their children? How do parents/households' contribution to schooling of their children compare to their income level? Are fees and other costs hindering access to education? What specific measures have been introduced to address the financial burden of the poor (such as scholarships and loan schemes) and how effective have they been? Is the public resources distributed equally for education especially for those of disadvantaged groups? What equity measures are in place to support the poor households? What is the share of the expenditure/budget on different education sub-sectors? How does the percentage of funding for basic education compare to other education subsectors? Is there a policy to offset the possible lack of balance of resource allocations between education levels? Is the budget for education predictable and sustainable?

Missing issue: Sufficiency. This concerns the level or amount of funding, whether or not it is sufficient for implementing the set education policies. Resources are always scarce, thus innovative ways to mobilise additional funds for financing education are also an issue. Do existing plans provide information on credible multi-year financial resource requirements for educational development? How is public educational expenditure evolving to meet the international recommendation of 6% GDP? How are financial and human resources distributed across education sub-sectors? What is the funding gap and how does the government plan to bridge the gap? What is the role of external donors and the private sector in the financing of education of the country in question?¹

Based on the above, you may want to group and expand paragraphs 5 and 6 on private costs for schooling and external funding. Also, some background on innovative financing should be added here.

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

Explain more how the development of ESP requires an understanding of financing flows in the sector, including the availability of financing sources, resource utilization and financing gaps. For example, analyzing equity in resource allocation would mean taking a perspective of access, quality and management and investigating how equitably resources are utilized to address all education priority areas. There should be a link established with other development sectors and Poverty Reduction Strategies.

The proposal for activity 1 should also be based on national policy documents, donor and other partners' support programmes and consultations with key stakeholders (besides existing sector tools already mentioned in the paper).

UNESCO is suited to carry out activity 1 based on its knowledge in educational planning, costing, capacity development and data management processes.

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

The approach on implementing innovative financing for education should be developed not only at the global level but also at country level. The Advisory Panel of Experts on Debt Swaps and Innovative approaches to Education Financing discussed that national governments should be the ones to put in place innovative financing mechanisms. Pilot feasibility programmes should be conducted to test the application of these mechanisms on the ground.

UNESCO could carry out advocacy at the global level and conduct country pilots on innovative financing, due to its strong involvement in the Leading Group on Innovative Financing for Development and the Task Force on Innovative Financing for Education, and since this has been proposed by the Advisory Panel on Debt Swaps and Innovative approaches to education.

¹ Recent draft Handbook for Education Policy Analysis and Programming for UNESCO Field Staff in the Asia-Pacific Region

I. Introduction

The present document is a response by the UNESCO Institute for Statistics (UIS) to the thematic paper on education financing for the first round of consultations. The document assesses the thematic paper from the perspective of UIS and describes activities of UIS linked to education finance data.

II. General comments

1. The background part of the paper is too brief, too general and does not always support the statements with evidence based on research. The different parts need to provide more detail, more concrete examples and explore the feasibility of proposed solutions. In some parts of the paper there are statements such as: low income countries should do this or that without any idea whether what is proposed is feasible or not.
2. ***Efficiency of public expenditures.*** It is not clear what is meant by efficiency here. Is it achieving better learning achievement with less money? Or increasing access and improving learning environment? Is the paper focusing only on primary/basic education or are higher levels are also targeted? Moreover the fact that countries with similar levels of funding achieve very different results is not only true for low income countries but also for more developed countries. Isn't efficiency in public spending generally linked to good governance, existence of independent national auditing mechanisms which do not exist in many low income countries? Efficiency of public expenditure on education is dependent on the efficiency of public expenditure in general. It cannot be isolated and improved alone.
3. ***Geographic resources disparities*** should be grouped with the paragraph on ***Equity of public expenditures*** because the former is a particular type of equity issue. Moreover, equity issues in low income countries are not only specific to the education sector but also to others like health, infrastructures etc...For the health sector for example, the ratio of doctors/1000 inhabitants in rural areas is much lower than for urban areas, and major hospitals are found mainly in urban areas. At the same time there is no electricity or decent roads in many rural areas. So any successful plan of decreasing disparities in education' resources allocation has to be a part of a national plan towards reducing disparities in all areas. Pledging to improve only for the education sector will not be enough. One should promote greater decentralization of responsibilities and resources. We should elaborate more on how low income countries '*public finance mechanisms and structures a government applies should promote equal educational opportunities*'
4. ***Private costs of schooling.*** One should be very careful not to promote too much families' contributions to the financing of primary education in low income countries. In many cases this is already a huge burden on the parents which they face mainly due to lack of public funding, especially in

rural/remote areas. The community schools, for example, are not a sustainable solution because of their low quality as compared to publicly-funded schools. And in urban areas, parents from the middle class in many low income countries are sending children to private schools because of the general belief that the quality of public schools is poor. Moreover we cannot say that all school fees were abolished - they remain explicit in some low income countries and have become "hidden" fees in others. Finally, there should be a discussion on other private sources of funding such as private companies, religious organizations, NGOs etc...and how governments in low income countries can establish efficient partnerships with these different stakeholders in a way that optimizes the generation and spending of financial resources.

5. **External funding.** One should talk also about the extent to which donors delivered effectively on their financial commitments.

6. **Other areas of gaps in knowledge in the financing which could be added to the paper:**

a) Information on the extent to which ODA commitments toward EFA are effectively disbursed. And for those countries which received the promised amounts were they able to execute educational investments projects (such as school construction) on time and transparently? This last point is important as the external funding is mainly capital expenditure but at the same time neither the government nor private local construction firms have always the expertise to execute the projects. Moreover the lack of transparency in the bidding process for these project is well known and in most low income countries, local private companies do not have the capacity to efficiently execute construction projects in rural/remote areas This is an important aspect to take into consideration in external education funding.

b) Information on Public-Private partnerships in the funding of education. Inventory of existing partnerships (main actors, modalities, scope, motivation, etc...) and proposals for how to improve these partnerships.

III. Specific comments:

Page 3. Paragraph 1. It is more appropriate to use expenditure as percentage of GDP than as percentage of GNP, unless it is really an issue of remittances. It is difficult to interpret a level of 3.8% it depends so much on local context (how much GDP? How extensive the education system? etc.) A more meaningful measure this share should be put in perspective with of the share of domestic revenue in the GDP to evaluate the capacity of low income governments in mobilizing domestic resources through their fiscal system. This is a major problem for many low income countries.

Activity # 1.

1. Page 4. Experience shows that national authorities in low income countries are far from mastering the methodology of JSR which is in most cases is conducted by externally hired consultants, with the national staff involved in

the review and not playing a substantive intellectual role. By consequence in order to achieve the goal of the activity It is important that capacity building of national staff on JSR methodology be a component of any ESP. The national team has to be able to conduct JSR with minimal external intervention.

2. Page 4. Last paragraph. Shouldn't it be to 'ensure quality basic education' rather than 'basic quality of education'?
3. Page 6.first bullet point. In the context of this activity, some resources should be allocated to train national staff on sustaining the process of compiling, documenting and reporting education finance data annually to UIS. UIS has recently developed an expertise in this area in the Sub-Saharan region and can provide a tested model for achieving these objectives.
4. Also in the context of this activity, countries should be encouraged to publish key education finance statistics in their annual yearbooks along with other education statistics. This increases the transparency and make the data available to all national and international stakeholders (civil society, members of parliament, etc...) and at the same time increases the expertise of national staff in education finance data.
5. Page 6. fourth bullet point. It is very good that this activity proposes to improve relationships between Ministry of Education and Ministry of Finance as the lack of good collaboration between these two entities makes it difficult to compile and report education finance data. Collaboration with other entities such National statistical Office (which collects for example data on private expenditure on education through HS) and ministries is also important.
6. Given the difficulty at the national level to collect accurate data on private expenditure it important to pay specific attention to that in the context of this activity. Usual surveys on household consumption do not capture very well the specific household expenditure on education because of design flaws. It is important to develop a specific module on household spending on education which can be used to derive data on private spending. The development of such a module could be done in partnership with several organizations such as IIEP, UIS, UNESCO/Pole de Dakar, UNICEF and World Bank. Also in may low income countries, private schools are reluctant to provide statistics on their revenue and expenditure.

Activity # 3 (page 8)

7. The objectives of this activity are not very clear. It is important to clarify what is meant by *connecting resources to results*. Do results mean improving leaning environment or learning achievement? If it is the later how this can be measured? It is always difficult to connect resources directly to results especially in the short term as factors than the level of resources can play an important role in the final results.

IIEP Comments (Serge Peano, s.peano@iiep.unesco.org):

Background

The six topics listed are areas of policy concern for a Ministry of Education. I would suggest converting them at the end into areas where capacities have to be

reinforced. It could be around what a Ministry of Education should be in a position to do regarding financial matters, mainly five processes:

- To know what the costs of education are and analyze them: How much is spent, for each level, by category of schools, by source of funding, for teaching activities and ancillary services, by object of expenditures. This is an issue of information and capacity to produce financial statistics and to analyze them.
- To be able to design funding policies and define the role of each stakeholder. This required a good knowledge of funding mechanisms and use of relevant statistical information.
- To anticipate financial consequences of education reforms or development objectives. This is an issue of costing, projections, simulations.
- To articulate policy, planning and management. This required a suitable linkage between planning and budgeting, and adequate processes for allocating various types of resources within the system.
- To be able to follow-up and monitor policy objectives.

Capacity gaps can be found in all those processes.

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

Paragraph 10 deals with issues of costing and projections, which are of a different nature regarding abilities required and capacity building support, and should be addressed as a separate part and activity.

Regarding the production of financial statistics on education:

The production of complete statistics on education financing and expenditure is the weak point of many education statistical information systems. The reason for the weakness of the statistics on education financing and expenditure comes from the often complexity of the financing mechanisms of schools, with various partners contributing to it and on the fact that the knowledge on financial data is split between various places.

- First, capacity to analyze expenditures in ministries of education is essential. This includes knowing basic concepts in economics and costs, being able to deal with financial data, calculate and analyze indicators, analyze variations overtime and use price indices. These competences are required for example when working on the diagnosis of the education system. Capacity development can be facilitated through training on cost analysis techniques.
- Capacity to collect process and gather financial statistics in education is another area of competences. This is required to extend the Ministry's EMIS to information on education expenditures and financial indicators. This capacity required a good knowledge of funding mechanisms, being able to identify sources of information like Government budgets, Households surveys, and financial statements from educational institutions or on external projects, being able to mobilize those information coming from accounting or statistical sources, process them, making estimates, and gather all this

information to provide a coherent vision of education expenditures and unit costs. Capacity development can be facilitated through a learning by doing approach and coaching.

There could be different levels of development in this area: from a simple gathering and analysis of available information (often Education Budget, external funding and household surveys) without seeking for a full integration into a common framework, to a comprehensive information system covering all financial flows where information are processed with the view to be integrated into a single common framework. The first approach can be more easily developed through specialized workshops, while the second approach requires higher capacity to work with financial data and make estimates.

Regarding costing and projections

Capacity of being able to contribute to the costing of development objectives constitutes a different area. In this domain, there are several stages of technical capacity as not all planners need to have the same level of technical competences. For all, it is necessary to understand the projection process, to be able to understand projections and costing reports, and to contribute to meetings and discussions on policy objectives and scenario building. A more limited number of planners should have the capacity to do the technical work of projections, either developing their own calculations, either updating or adapting a simulation model. The highest level of technical capacity would be being able to develop a simulation tool. Depending on the level of technicality, capacity development in projections can be facilitated through training or for the highest technical capacity, through a learning by doing approach and coaching.

Activity 3: Development of financing initiatives connecting resources to results

The document mentions two components: global and country levels.

At the global level, there is a link with the EFA-FTI Monitoring and Evaluation Strategy. If a list of indicators is set under this strategy, the purpose of the activity 3 would be to develop capacities of countries to provide them, more than proposing an alternative approach.

At the country level, the objective is more about alignment with national education priorities, and then the set of indicators should be the one designed for the national Education sector Plan.

Maybe the purpose of this activity could be more elaborated to clarify its objectives.

UNESCO Bangkok comments (Gwang-Chol Chang, gc.chang@unesco.org)

Background

1. Efficiency of public expenditures

Explain what you mean by stating that efficiency depends on structures of demand or social pressure.

3. Geographic resource disparities within a country

What “geographic resource disparities” mean? Is it inequitable resource allocation? The title may be interpreted confusedly as geographical resource endowment. The concept of resources needs to be clarified. The content that follows focuses only on teachers (and PTR) which is not adequate.

Paragraph 5: Private costs of schooling.

The issue of parents paying a significant share of the costs in primary education is more relevant for the poor in general rather than those living in rural or remote areas.

Knowledge and Activities Gaps should also include a policy gap.

Activity 1: In the proposed approach #1, cost projection models should be added to existing tools.

Activity 4: There is a need to define better “innovative” financing since here it just means new sources of funding.