

# Ensuring Adequate, Efficient & Equitable Financing in Schools

## School Finance in the Asia-Pacific Region

### Background

In 2015, the global education community launched the Education 2030 agenda as part of the 17 United Nations Sustainable Development Goals (SDGs). Targets for education are captured in SDG4, which aims to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. Achieving this ambitious goal will require enabling financing strategies; sustained, innovative and well-targeted financing; and efficient implementation arrangements.<sup>1</sup>

In the context of Education 2030, an international benchmark is that 4-6 per cent of GDP and/or 15-20 per cent of the government budget should be allocated for education.<sup>2</sup> Many countries in the region have achieved or even surpassed these levels, but education expenditure in relation to total government expenditure has varied a great deal year to year (Figure 1). Furthermore, even within countries that seem to have adequate levels of education expenditure per student, educational outcomes vary. The varied results in academic performance may be affected by other factors, such as efficiency and equity of the school finance system.<sup>3</sup>

Previous research shows that the management of a school, the relationship between different school actors (principal, teachers, community), and the school's own involvement in defining and evaluating its improvement, have a profound impact on the quality of education. This has led many countries to give schools more autonomy in their own management, including school financing.<sup>4</sup> However, how education is financed in the Asia-Pacific region is varied and complex.<sup>5</sup> Countries differ in terms of level and target of spending, the extent of private sector provision of education, the modalities of financing, and the degree of decentralization.

There is a growing demand to improve school finance policies to increase efficiency and effective use of existing resources to deliver quality education. Responding to this need, UNESCO Bangkok conducted a regional study to review school finance policies of ten countries in the Asia-Pacific region (Figure 2) in 2015-2016. This thematic brief presents the key findings from its regional synthesis report. The report aimed at capturing the regional trends in school financing policies to identify the key policy elements for ensuring adequacy, efficiency, and equity of school finance.

### How can we analyze school finance issues?

School financing issues can be analyzed from three key perspectives: **adequacy**, **efficiency** and **equity**.

**Adequacy** of financial resources is defined in relation to what is required to provide essential inputs for achieving the objectives of ensuring primary and secondary education services of acceptable quality for all children. Adequacy of resources is linked to the structure of the school system, nationally defined stages of compulsory and universal education and the pattern of resource provision, especially in supplementing and combining public resources with non-public and household resources for education services.

**Efficiency** of school finance refers to ways of mobilizing financial resources and their efficient management to provide effective education services at the lowest cost.



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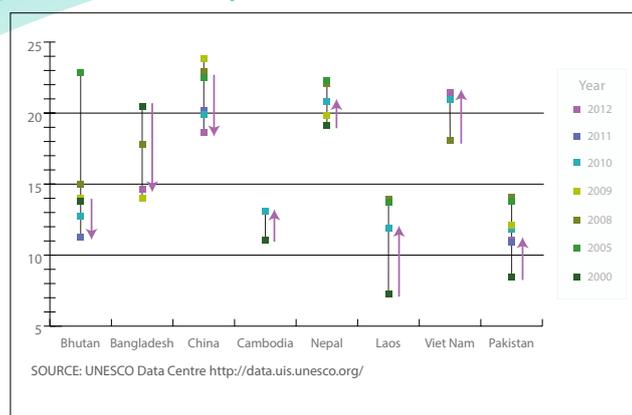


Sustainable  
Development  
Goals



Malaysia  
Funds-in-Trust

**Figure 1: Expenditure on Education as Percentage of Government Expenditure**



The legal structure of policy-making; planning and decision-making regarding school finance; mechanisms for transfer and disbursement of funds to schools; decisions about capital and operating budgets; and budget planning, management, implementation and monitoring at the school level and at higher supervisory levels are seen as elements of efficiency. Efficient management of resources inevitably embraces effectiveness in terms of quality and sustainability measures applied to educational programmes.

**Equity** in school finance relates to meeting the needs of diverse learner groups through school budget planning and management, and how complementing and supplementing public resources with household and private resources influence equity. Equity in education has two main dimensions – fairness and inclusion. Fairness relates to not letting personal and social circumstances become obstacles to fulfilling one’s educational potential. Inclusion means everyone participates in learning with equitable opportunities to achieve defined levels of learning outcome.

### Are schools receiving adequate funding?

The Asia-Pacific region is very diverse and a one-size-fits-all pattern cannot be discerned. In Uzbekistan, the state provides the required funding for primary and secondary education. Parents are required to pay modest fees for state-run residential schools for students with special needs. In order to optimize financing public education, trusts for off-budget funds have been created. On the other hand, the allocated funds from government to schools in Cambodia through programme budgets

and grants are not sufficient for schools to operate and maintain facilities without relying on other sources of income. Schools seek support from local communities, parents and external donors as well as from NGOs to supplement the limited financial resources from the government. Contributing money to school is the most common form of involvement through which parents in rural areas participate in education activities. Some schools are able to generate extra income from renting spaces for bicycle parking and food stores inside school compounds. However, these opportunities are less common for schools in rural and disadvantaged areas.

The overall resource picture is more problematic in South Asia with more acute access, equity and quality issues in this sub-region. Budgetary allocations as shares of GDP and state budgets have generally been lower in South Asian countries, as indicated in the country cases of Bangladesh, Bhutan, Nepal and Pakistan, than in the Asia-Pacific region as a whole. There have been steps towards decentralization and making more resources available at school level, but these efforts have not been as intense or systematic as in East and Southeast Asia.

On the whole, while many countries had increased government expenditures for education, the increase has slowed recently. In addition, most countries participated in the study, regardless of their spending level, report insufficient funding as a challenge.

### How can school finance policies promote efficient use of resources?

#### Planning, management and execution of budgets

The findings show that there is a need to improve the efficiency of existing programmes, such as stipends and conditional cash transfers, with better targeting and efficient implementation to encourage improved student performance. International evidence on the effectiveness of demand side finance in improving learning sustainably remains unsettled, raising the need to consider alternative and potentially more cost effective supply side support options to improve equity and efficiency in education.

The case studies also show that attitudes, habits, skills and competencies of different actors pose obstacles

**Figure 2: Countries of the Regional Synthesis Report on School Finance in the Asia-Pacific Region**



that cannot be overcome easily in many situations. Greater responsibility, authority with accountability and transparency involve a change process that is introduced gradually, linking devolution of tasks, functions and roles with capacity enhancement, and demonstration of skills and capability in action.

The findings indicate that the procedures, regulations and instructions for fund use at the school level are often made too burdensome, demanding teachers' time and effort which are out of proportion to the funds offered. This is due to concerns about skills and capacity at the school level, and from a lack of confidence and trust from the fund-releasing side. It is the leadership in individual schools, a head teacher and perhaps one or two strong and committed school managing committee members, who can take the lead, present examples and ideas to their peers and make a difference.

### **Monitoring and assessment**

Attention is needed to produce and link inputs, outputs, and learning outcome data. The policy relevance of data could be enhanced if data on education outcomes are combined with reliable data on education spending. Such efforts could build on ongoing programmes to strengthen information flows and local accountability

systems, which should include frequent financial and performance reporting to stakeholders and auditing related to block grants to the subnational authorities. Needs-based funding models to allocate resources according to the needs of students require disaggregated data to identify disadvantaged groups. For this purpose, improved data systems are needed in most of the countries.

### **How can school finance improve equity?**

Equity in education is a complex and multi-dimensional concept. One basic issue on equity in education is the elimination of gender disparity and discrimination. Other aspects of inequity and inequality relate to educational access, participation and learning outcomes for all who are disadvantaged or deprived in different ways. Resource and budget planning and management have to take into account how the budgetary processes address the inequities that exist in the school system and which must be mitigated and removed. More attention is needed to understand what the status and trends are in respect to provisions for children with special needs. Mainstreaming children with disabilities and special needs is generally considered to be the right approach. Most countries in the region have made some effort in this respect, but it has not been enough to serve all who may benefit from such an opportunity.

Going beyond the mapping of equity in access and participation in education, a deeper probe is necessary on the learning outcomes among different groups of students and how these are related to finance and budget processes. Country cases examined for this review indicate that while financing has emphasized the objective of equity in access and participation, the steps taken have not often been linked to student learning outcomes.

There are gaps and deficiencies in the availability of relevant data on the state of equity and equity promotion measures through school finance mechanisms and practices. These gaps have to be assessed so that they can be filled and deficiencies overcome by cumulative efforts over a period of time. There has to be continuing and consistent commitment to equity concerns in the school finance process.

## What can stakeholders and policy makers do to address the challenges?

The report identified some promising practices and lessons learned for improving school financing policies. They include:

**The analysis of structural inequity in the distribution of resources** should incorporate an analysis of public spending according to the socioeconomic characteristics of groups or individuals, and by linking those results to student participation and performance. Skills and capacities have to be developed for this purpose. Improving data is also critical.

**Permitting greater discretion and flexibility** once the schools acquire experience and demonstrate capacity. A balance is needed to develop a relationship of trust and confidence with school personnel and community leaders.

**Objective analysis of the impact and cost effectiveness of demand-side financing** (such as demand-inducing incentives and cash transfers) versus alternative supply side support (better and more responsive provision of services and quality enhancing inputs) is needed.

It is necessary to have a **transparent and pragmatic set of rules that allow affirmative action and higher spending** for needs of disadvantaged groups and areas, along with applying these to both recurrent and capital spending.

A systematic effort has to be initiated for **strengthening knowledge, understanding, skills, practices and attitudes of personnel at different levels** to improve budgetary performance at the school level, backed up by policies and actions at the other levels in the management hierarchy.

**Partnerships with international development agencies and a strategic use of technical assistance** could help develop insights into efficient and equitable financing for primary and secondary education. The demand for fiduciary accountability and reporting has prompted better planning and management of resources and capacity building for this purpose.

**Advocacy efforts by civil society and other stakeholders** are required for the mobilization of adequate resources for education, especially to fulfill the rights-related state obligation regarding basic and compulsory education.

**Sustainability questions and a long-term view** should be part of the design of the school finance reform, rather than an afterthought.

**Performance standards for teachers can be established** and applied with financial measures as a tool. Teaching personnel consume three quarters or more of the school's operating budget, thus, effective management of personnel costs is critical for overall budget and resource management.

School Management Committees (SMCs) need to have the **capacity to exercise their discretion to use the funds creatively** to improve learning, with attention paid to disadvantaged students.

The full regional synthesis report will be available in early 2017.

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