Financing EFA for Clearer Impacts on Equity and Efficiency: Challenges and Options
CONTENTS

✓ Financing EFA
  ✓ Key lessons & messages from the past decade

✓ Challenges
  ✓ Financing for equity and efficiency

✓ Options
  ✓ Overcoming financing challenges
FINANCING EFA: KEY LESSONS & MESSAGES FROM THE PAST DECADE

✓ Ten years after Dakar, finance remains a major barrier to EFA
✓ Financing EFA requires more than just increases in education spending
✓ For countries to accelerate progress towards the EFA goals, more weight is needed on equity and efficiency in financing
FINANCING EFA: KEY LESSONS & MESSAGES FROM THE PAST DECADE

✓ Governance matters. This means institutional and financial arrangements governing the mobilisation, allocation and use of financial resources can make a difference on equity and efficiency

✓ For poorer countries, double efforts are needed due to the consequences of the recent economic slowdown
FRAMEWORK: EDUCATION FINANCING

- Mobilisation (sufficiency)
- Allocation (equity, efficiency)
- Use (equity, efficiency)

Resources
CHALLENGES
EQUITY AND EFFICIENCY
This graph shows a decrease in the annual GDP growth during the economic slowdown period. The real growth rates in the Asian developing countries are estimated to fall from around 10% in 2007 to 5-6% in 2009 which means less revenue for governments. The annual growth in GDP per capita is estimated to fall from 7.5%, a rate experienced during 2005-08 on average, to 3.8% on average per year in 2009 and 2010 (ESCAP 2009)

As a result, governments will not be able to spend as much as they used to spend on any sector, particularly on non-revenue generating or spending sectors like education

The recent financial crisis in Asia highlights the need for a more effective and efficient use of public funds. Even governments which have generously funded education in the past are looking for ways to improve the impact of their spending. The challenge is to generate resources to expand access to education and to ensure that both public and private resources are spent in an effective and efficient manner.
Increased progressively: Philippines, Macau, Pakistan

Increases between 1990 and 2000 but decreases after that: Thailand, Singapore

Increases between 1990 and 2007: Indonesia, Lao, Malaysia, Bangladesh, Philippines, Bhutan, Macau, Pakistan, Samoa, Cambodia, Maldives; in most other countries it declined

Note that the lack of data in many countries is probably one of the reasons explaining these variations.

This slide also shows the variations in the priority that countries give to education: some increased the share of public expenditure for education (Indonesia, Lao, Bhutan, Pakistan), but some reduced it (Singapore, Iran, South Korea)
The share of national income devoted to education differs substantially among countries. Education generally consumes anywhere between 15-25% of national budget and 3-5% of GDP.
- Consistent with the United Nations Declaration on Human Rights, most countries have had legal provisions in place to provide free primary education to all eligible children. But some of the laws have been inadequate and ineffective. As Tomasevski (2006) has shown, despite legal provision for free PE, many countries continue to levy fees and other charges as a way to generate additional resources for education.

- No data for Asia, but collected school fees are estimated to contribute in the range of 18% to 40% of the national education budgets worldwide (USAID, EQUIP 2)
Note that not only formal fee constitutes the private cost burden of education. Apart from tuition fee, parents are also supposed to bear informal cost of education such as uniform, travel, textbooks, etc.

In China, 2/3 of the population lives in rural areas; however, only 23% of the education budget is dedicated to the countryside. Because of this inequitable distribution, many schools have resorted to charging fees that are as high as ¼ of their annual income.

Implication on equity particularly for the poor
INEQUALITIES IN EDUCATION SPENDING

Distribution of global public education expenditure by region, 2004

- In 2006, per student expenditure at primary level varied between less than US$300 in sub-Saharan Africa and over US$5,000 in developed countries*

- South and West Asia accounts for over one quarter of the world’s 5 – 25 year olds, but only 7% of global public education spending

* Expressed in constant 2005 dollars

Source: EFA GMR 2009
Corruption hits the disadvantaged hardest as they rely more on the public system, have less recourse to legal protection and are less able to make “informal” payment.
Data for the current and previous budget years are available in most countries, as are budget revision and review documents. The problem is that the data are not assembled and made publicly available by international or regional organisations.
FINANCING GAP

✓ Worldwide, the EFA financing gap is around US$16 billion for basic education
✓ The financing gap varies by education goal:
  ✓ US$0.6 billion for adult literacy
  ✓ US$5.8 billion for ECCE
  ✓ US$9.8 billion for universal primary education
✓ Reaching the marginalized will require an additional sum of US$3.7 billion

Source: GMR2010
OPTIONS
OVERCOMING
FINANCIAL CHALLENGES
Decentralisation is intrinsically neither good nor bad for equity. The key questions are not necessarily whether to decentralise but how and what to decentralise. Strategies for equitable decentralisation include:

- Establishing clear guidelines for decentralised revenue mobilisation, such as prohibiting subnational governments from levying fees on basic education
- Developing equitable financing formulas whereby financial transfers from central government to local levels are weighted to take poverty and deprivation in education indicators into account and reflect the estimated costs of achieving national EFA goals.
EMPHASIZE GREATER EQUITY AND INCLUSION IN FINANCING

- Strengthen government’s role in redistributing public finance
  - setting equity-based targets for resource allocation
- Provide additional resources and targeted financial support for disadvantaged and vulnerable groups and areas
  - formula funding, provision of school grants
- Improve affordability for excluded groups by lowering cost barriers
  - abolition of school fees, demand-side financing

Reaching the most marginalised often requires higher spending than for wealthier areas. The role of central governments is crucial in redirecting financial resources to the areas or populations most in need.

Budget planning and allocation for education in accordance with levels of poverty and deprivation in education

School grants: transfer of funds from central authorities to local communities and schools. This can reduce inequalities by providing additional resources for disadvantaged or vulnerable students.

Stipends for identifiably marginalised groups can help make school more affordable and provide incentives to keep children in school at both the primary and secondary level. In Bangladesh and Cambodia, these have played an important role in narrowing gender gaps and increasing the transition rate to secondary school.
SCHEMES AND PROGRAMMES TO REACH THE MARINALIZED
EXAMPLES OF GOOD PRACTICES

☑ Education Voucher System for poor students to enroll in private education
  ☑ Philippines
☑ Scholarships for students with disabilities
  ☑ Indonesia
☑ Textbook loan scheme, School Supplementary Food Scheme, and Poor Students’ Trust Fund
  ☑ Malaysia
☑ Mid-Day meal scheme
  ☑ India
☑ Free uniforms and extra scholarships for the poor, girls, and other marginalized groups
  ☑ Nepal
Also for efficiency and effectiveness reasons, an integrated policy approach should be pursued.
IMPROVE EFFICIENCY
ALLOCATION AND USE OF FUND

✓ Decentralisation of financial responsibilities and management with safe-guarding measures to minimize disparity and inequity
✓ Improving education budgeting process for better budget prediction, alignment and results (MTEF, results-based budgeting)
✓ Strengthening sector governance
In fact, there have been some increases in a number of countries but the additional spending ranges between 0.2% to 1.9% of GDP only

Five principles of Paris declaration:

1. OWNERSHIP
   “Partner countries exercise effective leadership over their development policies, and strategies to co-ordinate development actions”

2. ALIGNMENT
   “Donors base their overall support on partner countries’ national development strategies, institutions and procedures”

3. HARMONISATION
   “Donors’ actions are more harmonized, transparent and collectively effective”

4. MANAGEMENT FOR RESULTS
   “Managing resources and improving decision-making for results”

5. MUTUAL ACCOUNTABILITY
   “Donors and partners are accountable for development results”
Efficiency and Equity
Thank you

l.huong@unesco.org