Education Finance and Decentralisation in Asia: Implications for Service Delivery

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Contents

- Decentralisation in Education Policy: The Story
- Choice of Decentralisation for Financing and Delivery of Basic Education
- Policy Questions for Consideration
Decentralisation in Education Policy

The Story
Recent History of Decentralisation in Education Policy

- Debate of ‘Keynesian Consensus’
- Rise in Education Enrollment
- Economic and Financial Globalization
- Developing Information Technology

1970s | 1990s | Today

1980s | 2000s

Decentralisation is now seen as an alternative to central financing and delivery of basic education

**Why?**

- Extreme financial constraints of central government have compelled them to shift part of the financial burden to lower levels of government and non-state actors
- Potential benefits of decentralisation include: efficiency, quality, choice and participation
Choice of Decentralisation for Financing and Delivery of Basic Education
Policy Choice of Decentralisation for Financing and Delivery of Education

Policy Choice
  - Do Not Intervene
  - Intervene
    - Retain Authority
      - Delegate
        - Non-state Provision or Privatization
      - Fund Non-state Providers
        - Indirect State Provision
      - Fund Service Users (e.g. pupils & parents)
        - Demand Side Financing
      - Provide Directly
        - Direct State Provision
Policy Questions for Consideration

What do we know?
What more do we need to know?
To what extent and how does decentralisation improve education service delivery?
Impact of Decentralisation

- Does not automatically lead to improved service delivery
- Has the potential to improve service delivery and education quality if designed and implemented well, including sound policy and institutional frameworks
- More research needs to be undertaken, especially in Asia-Pacific region, but, evidence suggests that decentralisation and, especially, school autonomy can improve service delivery, with some risk of increased inequality of outcomes
Policy Framework for Improved Service Delivery

- What does it take to establish appropriate policy framework for the effective delivery of equitable and quality education in order to achieve the EFA and MDG goals?
- What legal and regulatory instruments and measures are needed to reach out to the marginalized and the disadvantaged in the context of education?
- Can countries be benchmarked to compare and understand benefits of education decentralisation?
What role can non-state actors play in order to address the exclusion and marginalisation?
Non-State Actors

- The preferred or, in some cases, the only available providers of basic education services for the underserved by the public system
  - e.g. NGO/BRAC schools serving the hard to reach groups in Bangladesh, NGOs serving the rural areas in Cambodia

- The rationale:
  - poor quality of state education
  - lack of state ability to provide state schooling to all
  - cost effectiveness, responsiveness and accountability of private fee-charging schools
## Types and Roles of Non-State Actors

<table>
<thead>
<tr>
<th>Non state providers</th>
<th>Exclusion addressed</th>
<th>Government recognition</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Private</strong></td>
<td>Low-income groups in urban areas, excess demand in perceived low quality government provision. Does not address all excluded groups</td>
<td>Registered and unregistered schools. Often not explicitly recognised in government policy.</td>
<td>Low-budget private schools in many countries</td>
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<td><strong>NGOs</strong></td>
<td>Hard-to-reach groups requiring alternative service delivery models, e.g. street children, refugees etc.</td>
<td>Registration often not on education-related criteria; Usually does not receive state support; Not always explicitly recognised in government policy.</td>
<td>INGOs, Save the Children, BRAC, Bangladesh Aga Khan Rural Support Programme, Pakistan</td>
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<td><strong>Faith-Based Organisations</strong></td>
<td>Responsive to differentiated demand, may include moral obligation to cater to the poor</td>
<td>Some registered and recognised in government policy; Others choose to avoid government interference</td>
<td>Madrassahs, India and Pakistan; Church-owned schools, Malawi and Nigeria</td>
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<tr>
<td><strong>Spontaneous Community Approaches</strong></td>
<td>Demand-driven provision often in rural areas</td>
<td>Often undergo process of registration to gain government support</td>
<td>Registered Non-Government Primary schools, Bangladesh</td>
</tr>
<tr>
<td><strong>Philanthropic Associations</strong></td>
<td>Focus on poorest</td>
<td>Often seek government recognition</td>
<td>CARE, Pakistan</td>
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</tbody>
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*Source: Centre for International Education, University of Sussex (Outputs of DFID funded study of non-state service providers)*
Implications for Government

- What is the role of the government vis-a-vis the increasing involvement of non-state actors in financing and provision of basic education?
- What is the scope for partnerships with non-state actors in order to successfully engage and support them in enhancing the educational opportunities for the marginalised and the disadvantaged?

What more do we need to know?
How do governments finance decentralised education and what do they finance?
Intergovernmental Transfers and Grants

- Dominant source of revenues for sub-national governments in many countries
  - e.g. Indonesia 72%; South Africa 85%; Pakistan 82% to 9%

- Design of transfers matters for efficiency and equity of resource allocation for education
  - e.g. selection of criteria for use in the funding formula

What do we know?
Intergovernmental Transfers

Block Grant in the Philippines

- Formula–based block grant for local governments from the Internal Revenue Allotment (IRA)
- Total domestic revenues to be allocated to subnational government set in the Local Government Code at significant level: IRA shares 40% of the gross national internal revenues and accounts for 94% of total transfers)
- Positive effects: Predictability and transparency
- Adverse effects: Little discretion for local governments in financing education initiatives outside central government influence.

Source: Joint UN Agencies (2010). Governing local service delivery for the MDGs in Asia
Alternative Channels and Sources of Funding

- **User fees** can contribute to lessen central government’s education budget burden but raise great concerns over inequality in spending and inability of poor households to pay for their children’s education.

- **Demand-Side Financing** is an alternative option by which public funds are channeled directly to service users or to institutions based on some expression of demand by users.

- **Public Private Partnership** is another option in which government can engage with the non-state actors in the financing and delivery of education.
Despite the legal guarantees, some primary school fees continue to be charged in 19 of the following 31 countries in Asia:

- **East Asia and the Pacific**
  - Australia, Brunei, Cambodia, China, Cook Islands, DPR Korea, Indonesia, Japan, Lao PDR, Myanmar, New Zealand, Niue, Palau, Philippines, RO Korea, Thailand, Timor-Leste, Tokelau, Viet Nam

- **South and West Asia**
  - Afghanistan, Bangladesh, Bhutan, India, Iran, Nepal

- **Central Asia**
  - Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan, Turkmenistan, Uzbekistan
## Demand-side financing*

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Benefits</th>
<th>Issues</th>
<th>Country Examples</th>
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<tbody>
<tr>
<td>Stipend/Scholarship</td>
<td>Equity</td>
<td>No choice; misuse; targeting; increased school fees</td>
<td>Bangladesh; Brazil; Indonesia; Morocco; Mozambique; Pakistan; Senegal</td>
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<tr>
<td>Community Financing</td>
<td>Access; quality; responsive to community needs; management capacity</td>
<td>May not be sustainable</td>
<td>Chad; El Salvador; Myanmar; Pakistan</td>
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<td>Vouchers</td>
<td>Choice; equity; quality; efficiency</td>
<td>May result in selective admission; be socially divisive</td>
<td>Chile; Colombia; Holland; New Zealand; Spain; UK; US</td>
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<tr>
<td>Student Loans</td>
<td>Equity by reducing cost of school attendance</td>
<td>Need of functional loan system; need of recovery system and taxation (esp for income contingent loans)</td>
<td>Australia; Canada; Jamaica; UK; US</td>
</tr>
<tr>
<td>Matching Grants; Mix public–private support; social funds</td>
<td>Equity; improved management; quality through special programs</td>
<td>May negatively impact poor students</td>
<td>Grants: Brazil; China; Ghana; India; Tanzania Social Funds: Armenia; Bolivia; Ethiopia</td>
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*Selected Mechanisms for all Education Levels*

Demand Side Financing
Student loans in Thailand

Problem expected to be addressed:
◦ Increase of upper secondary school fee by over 70%
◦ Sharp decline in enrolment rates
◦ Increasing risk of drop out at upper secondary level

Solution:
◦ Loans to students from poor families enabling them to study at the upper secondary and tertiary levels

Results:
◦ The scheme reached 32.6% of poor students and 22.6% of poor youth at upper secondary level
◦ Small sample survey indicated effectiveness in preventing discontinuation of studies amongst a significant proportion of borrowers

Public Private Partnership

- Wide range of possible non-state involvement from provision of non-educational services (e.g. catering) to provision of teaching services
- Different models
- Many expected benefits including improved service delivery but needs rigorous evaluation
- Need state-specific strategies
Charter schools (USA)
- Publicly-funded
- Governed by group or organization under contract with government
- Funding is per student, based on actual enrollment, at or below public average unit costs
- Exempt from government regulations
- Open to all students, by lottery
- Capital costs are not financed

Public Subsidy of Poor Children to Attend Private Schools (Philippines)
- Gov’t purchases “places” on per-pupil funding basis (at or below public unit cost)
- Gov’t certifies quality of private schools (faculty, facilities, curriculum, administration, etc.)
- Double-shifting allows more efficient use of infrastructure
- School hires/fires all staff
Funding Mechanisms for Higher Equity and Efficiency

- What works and what should be avoided?
- To what extent is resource allocation for decentralised basic education a technical process, and to what extent a political process?
- How can the equity implications be addressed?
- What measures can be introduced to help improve the equity and efficiency of education financing in the context of decentralisation?

What more do we need to know?
Conclusions

Careful analysis of empirical issues is needed if informed judgments are made by policy makers, such as:

- Impact of education decentralisation on basic education service delivery
- The scope for effective partnerships with non-state actors
- The balance between state and private financing of basic education services, and implications for public support for service provision particularly for poor and vulnerable children