

# Who Pays for Education?

**Has education financing changed over the past decade? Almost all the current financial models in the world bring a variety of different partners together. Good education depends at least in part on the quality of those partnerships. In other words, it is not just a matter of how much money is spent, but how well it is spent.**



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Two girls returning from school in the rain in Pasay City in the Philippines. Government funding, which is often progressive, can be used to get more girls into school.

Maris O'Rourke of the World Bank admits that the World Declaration on Education for All did not fully recognize the need for a plan to mobilize resources a decade ago. "There is a widespread understanding now that no country is ever going to pull itself out of poverty or have social or economic growth without educating its people," she comments, highlighting the "remarkable strides" made in this field by countries such as Brazil, China and India. However, as she puts it, "there was never an overall resourcing framework or a real understanding of how much finance would be needed to reach the goal."

Globally, around 63 per cent of the cost of education is met by governments, with the second largest contribution, 35 per cent, coming from the private sector: a combination of students, parents, employers, non-governmental organizations (NGOs), and commercial enterprises. The final 2 per cent comes from overseas aid programmes. The central role played by government is clear. "You can't get past the sovereignty of governments to allocate their budgets," says O'Rourke.

A thematic study on partnerships prepared for the EFA 2000 Assessment identifies a key point: In developed countries with better tax systems, governments simply have more money to put into education; in poorer countries other partners have to play a more significant role. According to UNDP, tax revenues represent 26 per cent of gross domestic product (GDP) in industrialized countries and less than half that in developing countries. In Cambodia, only 12 per cent of the funding of the 'public' education system actually comes from the government. Households and communities meet 60 per cent of the bill, NGOs and foreign aid account for 18 per cent and politicians donate 10 per cent.

Often, the collapse of central government leads to alternative, non-formal arrangements. During the civil war in El Salvador, for example, communities realized they could

not expect help from the government and hired their own teachers for schools that had been closed because of the fighting. This was the birth of EDUCO, a communal education movement, which, after the war ended, received government assistance.

A different example of non-formal education is the Bangladesh Rural Advancement Committee (BRAC) which operates parallel to government primary schools and serves around 1.2 million children. "NGOs have shown themselves to be enormously cost-effective in education delivery. They often use highly unconventional approaches to difficult subject areas where traditional methods have failed", says Gordon Naidoo, who heads a South Africa-based NGO.

## Writing off Debt to Fund Education

*The impact of foreign debt is one of the principal reasons education budgets suffer.*

*While investing in education yields major long-term benefits, governments face pressing short-term demands for resources to service foreign debt payments. Falling into arrears has an immediate negative effect on a country's ability to raise credit or pay for its imports. Yet at the global level, there is a strong cost-benefit argument to be made for writing off at least some international debt and using those resources to invest in education, at a time when overseas aid from rich to poor countries is declining.*

*The 1996 Heavily-Indebted Poor Countries debt relief initiative supported by the World Bank and a group of wealthy countries acknowledged the social cost of structural adjustment policies. The G8 meeting of some of the world's richest countries in Cologne in 1999 widened its scope. Yet many argue that debt relief is still moving too slowly, is too bureaucratic, and is too restricted by special conditions.*



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Has the role of overseas aid changed? Another thematic study prepared for the EFA 2000 Assessment, by the Overseas Development Institute, notes that aid to education, as a proportion of overall bilateral aid, has remained fairly steady at 15 per cent throughout the decade, despite the downward trend for overall bilateral aid. Multilateral commitments to education rose to an annual peak of US\$2 billion in 1994, falling back to US\$1.3 billion in 1998. The study detects a move away from conventional delivery systems, such as projects and programmes, towards a sector-wide approach or "policy dialogue and partnership to ensure that aid is used in accordance with host government policy priorities".

Different funding partners each have strengths and weaknesses, and the key to success is to make the best out of their various assets. Central government funding, for example, is often progressive (depending on the tax system); it can be used to back a national curriculum or get more girls into school. Yet it can also be remote from local realities, or at worst be seen as imposing unpopular policies or an unpopular language. Community funding, which is more attuned to local needs, tends to involve parents, who in turn have a positive influence on school effectiveness.

Some campaigners consider school fees the single most important barrier to educational access for the poor, while others feel it is acceptable to mobilize resources from those who can afford to pay, on condition that access for the poor is ensured. China has effectively acknowledged that government and community-funded systems must run side by side in rural areas, a policy called "walking on two legs".

Given the wide variety of funding arrangements around the world, there can be no single model which is right for everyone. But a variety of tried and tested models now exist which can be studied, then copied or adapted to different settings. EDUCO and BRAC are just two of the more successful examples. ■

### ***When Economic Crisis Strikes***

*When economic crisis strikes education, governments and communities are distracted into 'taking their eye off the ball' as they concentrate on short-term survival.*

*The 1990 World Declaration on Education for All urged governments to allocate a greater slice of the "economic cake" to education. But the size of the cake itself can shrink overnight, sometimes dramatically.*

*Economic crises, whether triggered by the collapse of monetary systems, austerity policies or a heavy debt burden, spark a classic vicious circle. By preventing the development of human capital, they weaken the economy which may collapse again the next time commodity prices fall or exchange rates fluctuate. The "softer" budgets – education, health, and housing – are often axed first, undervaluing the critical importance of education for development.*

*Even a relatively prosperous country like Costa Rica can be affected. During Latin America's "lost decade" in the 1980s, spending on basic education fell by an annual average of 4.8 per cent between 1980 and 1987. Enrolment rates fell and dropout rates rose. The East Asian financial crisis of 1997-99 had a similar impact. In Indonesia, the education budget plummeted by 12 per cent in 1997/98 and by a massive 30 per cent in 1998/99. To avoid fees, families postponed school entry for their children.*

*Some countries managed to keep their eye on the ball during the hard times. Government spending on education in Thailand was held constant, while Malaysia even managed to increase its spending. In the Republic of South Korea, households actually spent more on education to compensate for government cuts. These examples show that if governments and communities are prepared to plan for the long term, then providing basic education for all, despite cyclical economic downturns, is an absolutely affordable proposition. It just requires the political will to make it happen.*

