

# Education Finance for Equity

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# Key Challenges of Education Finance

Education reforms in transition and Central Asian countries have to address serious problems:

- Demographic decline and migration, making many rural school small and inefficient,
- Economic crisis, leading to budgetary constraints on allocation to the sector
- Marginalization of many groups of children
- Pressure from international comparisons (PISA)

# Per Student Financing of Education

A common policy response is introduction of per student financing :

- Key stimulus– to keep students in schools
- Equity assured by the application of the formula
- Transparency

However, the benefits of per student financing have not been achieved everywhere

# Conditions for success of reform

- Some form of decentralization: per student formula should always be applied to specific financial flows
- Monitoring: effects of the formula need to be assessed regularly
- Adjustment: the formula as a policy tool needs to be changed whenever conditions or national policy change

# Allocation Formula as Policy Tool

Coefficients in the allocation formula express policy of the Government, not some objective „scientific truth”

Examples:

- Rurality, population density
- Vocational education
- Special needs students
- Minority students

# Limitations of Policy Use of Formula

Many specific education challenges cannot be addressed through per student allocation formula and need specific approaches:

- Integration of Roma students
- Inclusive education of special needs students
- Corruption

Typically, countries need to implement projects directly targeted to these problems

# Main lessons learned

- Education finance is always subordinated to management and steering of education
- Introduction of per student financing requires strong political will of the Ministry
- However, equity and inclusion are not automatic effects of the formula, they require continuing effort and monitoring
- The formula should be simple enough so that policy makers can understand its implications