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