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Ministerial Meeting Agenda Item Five
Roundtable:
Bridging the Financial Gap: Implications for Equity and Access

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Frameworks for Financing: ***Patterns, Concepts, Options and Prospects for Sustainable Financing of Educational Development up to and beyond 2015***
This presentation will explore four questions to frame discussion about future demand to meet new needs to finance educational investment linked to development and poverty reduction. These questions are:

i) How have patterns of demand for education and its financing been changing since 2000?
Demand for public financing of education in the poorest Commonwealth countries has begun to shift from primary schooling to higher levels as growing numbers of children progress to lower secondary level and above. Costs per school place at secondary have to be less than twice those at primary if universal access is to be sustained. In high enrolment countries with near universal enrolment through to upper secondary, the most challenging financial issues relate to how to share the costs of mass higher education equitably between the general taxation base and the students who benefit from graduate level qualifications. In some countries, demographic transition has made it easier to finance growth in participation.

ii) What determines the amount of national income needed to finance educational progress towards the IAGs and what are the gaps?
The resources available to finance education are determined by the amount of revenue collected and used to support public services, the proportion of government spending allocated to education in general and to basic education in particular, and the private spending of households which complements public expenditure. What can be delivered in a financially sustainable way depends on the proportion of children of school age, the cost per child of a school place, the proportion of GDP allocated to education, and the amount and distribution of private contributions from households. It also depends on the costs of providing adequate infrastructure to support learning e.g. buildings and learning materials. Where the amounts available are insufficient to finance universal access to basic education to grade 9, gaps can be filled with external assistance within plans which provide a pathway to self-financing.

iii) What options are there to meet any financing gaps identified and how would these ensure continuity and sustainability with the achievement of the current IAGs?
Financing gaps between the educational services that can be supported from domestic revenues and private spending, and those that are needed to meet the IAGs and other national development goals, can be met in a number of ways including: increasing the proportion of GDP allocated to education where this is low; changing sub-sectoral allocations to favour basic education where this is not universalised; capturing more of the costs of provision from the relatively wealthy; increasing internal efficiency and reducing costs

per school place; and attracting greater volumes of external assistance from bi-lateral and multi-lateral sources. Countries which allocate less than 4% of GDP to education are unlikely to universalise access, especially if their costs per school place are above 15% of GDP per capita at primary level, and 30% of GDP per capita at secondary. Development assistance to education globally rose during the first part of the 2000s but has reached a plateau since 2008. The gap between what is available and what is needed under current assumptions about costs, is about $11 billion a year, which is considerably more than is likely to be made available on current trends between now and 2015.

iv) What are likely to be the costing and finance implications of new IAGs that may be developed for the period after 2015, and do they require new modalities for financing?

The size of any gaps between domestic capacity and demand for educational finance will reflect the rate of progress towards the IAGs and other national goals, reforms that affect the costs per child of provision, the levels of commitment and disbursement of development partners, and the costs associated with achieving any new IAGs that may be agreed. In many countries this will result in challenges to raise more domestic revenues and increase allocations to education, improve internal efficiency and effectiveness, adopt more pro-poor and less regressive financing especially at higher educational levels, and work with development partners to enhance the bi-lateral and multi-lateral resources available to education in the context of recovery from a global financial crisis which has reduced prospects for growth. It will be essential to cost realistically the implications of new IAGs. New goals will need to be linked to innovatory and sustainable models for financing that can increase the resources available for equitable investment strategies to increase participation and learning linked to improved well being, livelihoods, and economic growth.

Bulleted summary:

i) How have patterns of demand for education and its financing been changing since 2000?

- More resources are needed to finance universal access to lower secondary as part of basic education
- Higher education has grown rapidly in many low enrolment countries generating new costs
- Educational financing remains inequitable with regressive subsidies to the relatively wealthy
- Demographic transition has made it easier to finance increased participation
- Cost recovery and fee paying by households has become common partly as a result of austerity

ii) What determines the amount of national income needed to finance educational progress towards the IAGs and what are the gaps?

The resources available to finance education are determined by:
- the amount of revenue collected
- the proportion of government spending allocated to education
- the private spending of households

What can be delivered in a financially sustainable way depends on:
- the proportion of children of school age
- the cost per child of a school place
- the proportion of GDP allocated to education
- the amount of private contributions from households
- the costs of providing adequate infrastructure

iii) What options are there to meet any financing gaps identified and how would these ensure continuity and sustainability with the achievement of the current IAGs?

Financing gaps can be supported from:
- increasing the proportion of GDP allocated to education
- changing sub-sectoral allocations
- capturing more of the costs of provision from the relatively wealthy

- increasing internal efficiency and reducing costs per school place
- attracting greater volumes of external assistance

iv) What are likely to be the costing and finance implications of new IAGs that may be developed for the period after 2015, and do they require new modalities for financing?

The size of any gaps between domestic capacity and demand for educational finance will reflect:

- the rate of progress towards the IAGs and other national goals
- reforms that affect the costs per child of provision
- the levels of commitment and disbursement of development partners
- the costs associated with achieving any new IAGs

Efforts will be needed to enhance bi-lateral and multi-lateral resources in the context of the global financial crisis. New goals will need to be linked to innovatory and sustainable models for financing linked to improved well being, livelihoods, and economic growth.