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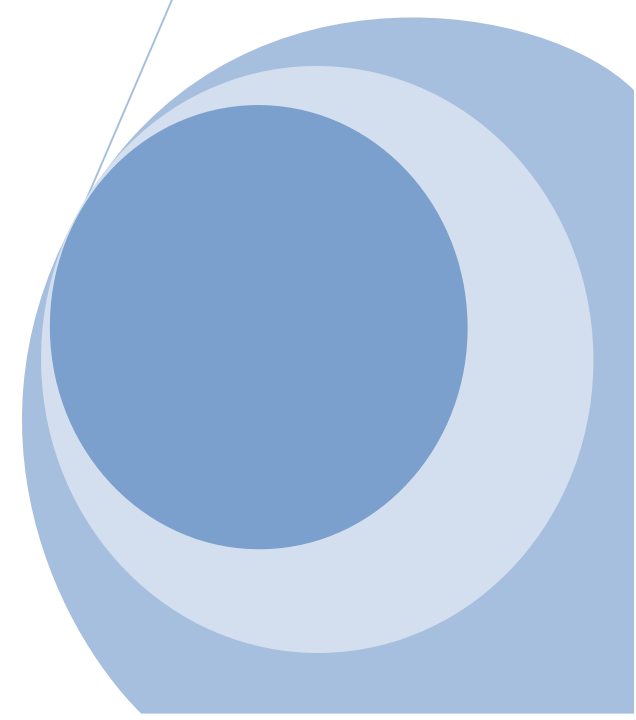
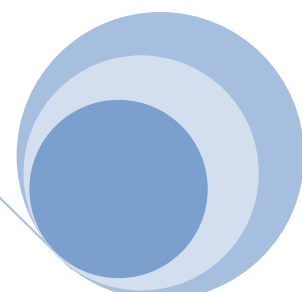
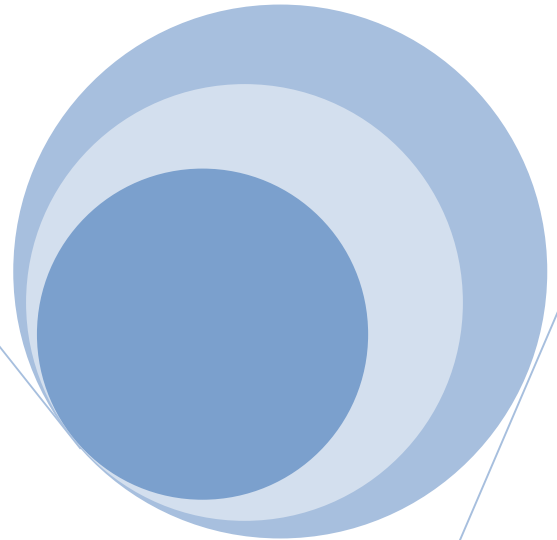


International Institute
for Educational Planning

Can school grants lead to school improvement?

**An overview of experiences of
five countries**

Working paper



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For more information, contact UNESCO’s International Institute for Educational Planning (IIEP):

7-9, rue Eugène Delacroix

75116 Paris, France

www.iiep.unesco.org

info@iiep.unesco.org

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Can school grants lead to school improvement? An overview of experiences of five countries

A synthesis of desk reviews of
Ghana, Indonesia, Lesotho, Nicaragua, and Sri Lanka

Elodie DEFFOUS

In collaboration with

Anton De GRAUWE and Candy LUGAZ

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List of abbreviations

ASP	Autonomous Schools Program (Nicaragua)
CGS	Capitation Grant Scheme (Ghana)
CIMU	Central Independent Monitoring Unit (Indonesia)
DEO	Divisional Education Office
EQI	Educational Quality Inputs (Sri Lanka)
fCUBE	Free Compulsory Universal Basic Education (Ghana)
FPE	Free Primary Education (Lesotho)
GES	Ghana Education Service
IDS	Internally Displaced Student (Indonesia)
LSC	Local School Committees
MED	Ministerio de Educación (Ministry of Education in Nicaragua)
MOE	Ministry Of Education
MONE	Ministry of National Education (Indonesia)
NBUCRAM	Norm-Based Unit Cost Resource Allocation Mechanism (Sri Lanka)
NIE	National Institute of Education (Sri Lanka)
PMU	Programme Management Unit (Indonesia)
SEC	School Evaluation Committee (Sri Lanka)
SGP	Scholarships and Grants Program (Indonesia)
SIGP	School Improvement Grants Program (Indonesia)
SPC	School Purchasing Committee (Sri Lanka)
SPIP	School Performance Improvement Plan (Ghana)
ZEO	Zonal Education Office

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Introduction

Present in an increasing number of countries, school grant policies represent a major reform in educational management. Schools, which before such policies had very little or no say about financial management, now receive grants directly from central authorities. They are at present not only asked to deal with these grants but also to use them more or less as they see fit in order to improve the school's functioning and quality. In some countries, especially OECD member countries, this practice is not new; in quite a few countries, it dates back to the school-based management policies of the 1980s. In many developing countries, this reform is, however, much more recent as it is directly linked to the introduction of fee-free education over the past few years: as schools are no longer allowed to ask parents for fees, they are given grants to make up for the loss of income. This fits within the trend towards more school autonomy.

This document is aimed at giving a broader understanding of the policy and concept of school grants in developing countries and, in order to do so, it refers to five countries in particular: Ghana, Indonesia, Lesotho, Nicaragua, and Sri Lanka.

The countries studied were chosen according to three main factors:

1. The similarity of their educational contexts: No developed country was selected since grant policies were usually implemented earlier than in developing countries and since the reasons for such implementation were usually different.
2. Their geographical representativeness: South and West Africa, South America and South East Asia.
3. The availability of existing literature: Information on the use of school grants is not available for many countries. For this synthesis, with the exception of the analysis of Lesotho that will be based on information collected during IIEP's field research, the author could not do any original field research. The author therefore could only include those countries for which a wide range of reports, especially those dealing with the use of grants, were available. This was the case for Ghana, Indonesia, Nicaragua, and Sri Lanka.

Particular attention will be given to the way such policies are designed and implemented so as to lead to greater equity and better quality, and to ultimately benefit the girls and boys enrolled at school.

This study will focus on one or two specific programmes in each country: the Capitation Grant Scheme (CGS) in Ghana; the Scholarships and Grants Program (SGP) and the School Improvement Grants Program (SGP) in Indonesia; the Free Primary Education (FPE) in Lesotho; the Autonomous Schools Program (ASP) in Nicaragua; and the Educational Quality Inputs (EQI) in Sri Lanka.

After analysing the educational background of these countries, this study will then focus on three main aspects of the grant policies: the criteria and mechanisms of grants distribution; the use of grants at the school level; and the monitoring and control of its use. It will then aim to assess the impact of such policies on the quality and equity of the education system based on the different aspects of the design of the policy and its outcomes.

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1. Background information

The five countries studied implemented their school grant policy within the last two decades as part of a broader educational decentralization policy and in response to the fee-free education initiative and the abolition of school fees. The multilateral development community, and especially the World Bank, largely influenced such reforms in countries such as Ghana or Nicaragua. The World Bank's financial support facilitated the implementation of the new policy in these countries. However, the reasons for such policies' formulation and the context in which they were implemented differ from one country to another.

Firstly, the level of decentralization of the educational system in these countries differed when the grant policy was introduced. In Nicaragua, for example, the system of basic education was very centralized when the Autonomous Schools Program (ASP) was implemented, whereas in Sri Lanka it was already decentralized as provinces already had control in the administration and management of schools.

Secondly, the grant policy can serve quite different objectives. This policy was implemented in Ghana (see Box 1, below) and Lesotho to accompany the abolition of school fees and thus to address the low enrolment figures (i.e. 30% of Ghanaian children were not enrolled in primary school in 1996).

Box 1. Ghana - Focus on the process of the Capitation Grant Scheme's implementation

Implemented during the academic year 2004-2005, the pilot CGS of the fCUBE was first enforced in the 40 most deprived districts in Ghana out of 110 to take them up to the standards of the well-off districts over a period of time.

The selection of the 40 districts under the pilot phase has been done thanks to a nationwide assessment exercise to identify the most deprived districts for additional funding.

The elements used for the assessment were as follows:

- *Input criteria:* number of core textbooks per pupil, number of seating places per pupil, percentage of qualified primary teachers, per student budget at primary level, and pupil-teacher ratio at primary level.
- *Achievement criteria:* success rate in the Basic Education Certification Examination for English and mathematics.
- *Access criteria:* Gross Enrolment Ratio (GER) and percentage of girls enrolled.

This last element was essential in the CGS design, as it puts special attention to the enrollment of girls by allocating more funds per girl to schools than per boy (see part Criteria of funds distribution).

The first year of implementation corresponded with agitations from civil society groups estimating that the fCUBE failed in providing free, compulsory, and universal basic education for every Ghanaian child (in 2003/04, primary GER at the national level was 86.3% and only 76.1% in deprived districts).

Consequently, the CGS was quickly extended to all public schools in Ghana in 2005/06.

The situation in Nicaragua and Sri Lanka was different as enrolment rates were rather satisfactory. In Nicaragua, the ASP, implemented in 1993 through a pilot programme and extended at the national level in 2006, was a much more radical educational decentralization reform meant mainly to improve the quality of education. It gave full autonomy to schools, transferring key management functions from the central level to the school councils, widening the mandate of the councils from greater local participation to greater local autonomy.

In Sri Lanka, the grant policy was also meant to improve the quality of education especially in the least advantaged schools. Under the decentralized system, some disparities continued to exist across schools in terms of access and quality in particular as enrolment and achievement rates, predominantly for post-primary grades, were worse for children from poorer households and less developed provinces. In order to overcome this problem, the Education Quality Inputs scheme (EQI) was implemented in 2000 in all government schools over the country in order to improve the availability of resources at the school level.

The situation in Indonesia was quite specific as the introduction of the Scholarships and Grants Program (SGP) in 60% of schools in 1998 was meant to anticipate and counter the consequences in the education sector of the radical 1997 Asian financial crisis. When this latest struck, the Ministry of National Education (MONE) and the lending agencies immediately recalled the consequences of the economic crisis of 1986/1987: the gross enrolment rates fell from 62% to 52% between 1988 and 1992 at the junior secondary level. This programme was therefore meant to maintain enrolments in a context of financial and economic crisis. However, a second phase of the programme called the School Improvement Grants Program (SIGP) was introduced in 2001 in 133 districts in poor schools dealing with internally displaced students and schools affected by catastrophes. SIGP was thus specifically concerned with poverty reduction.

2. Funds distribution

2.1 Criteria of funds distribution

When developing a school grant policy, an important issue to decide upon is the choice of criteria that will be used to distribute grants to the schools: Are these criteria simply based on the number of students or do they take into account certain characteristics of the schools and of the school environment?

In many countries, the allocation of funds is based on the number of students enrolled. The formula used can be very simple and only take into account the total enrolment, or it can include other criteria more or less complex, depending on the specific objectives of the grant, the general objectives of the educational policy, but also on the data available and the resources necessary to their collection.

As mentioned above, in the countries studied, a broad distinction between two different objectives can be made: the one of quality improvement and the one of increase of access. The choice of the distribution criteria is in part a reflection of these objectives.

In countries like Lesotho and Ghana, the goal of such a policy is to increase enrolment through the abolition of fees. In Lesotho, the allocation of funds simply corresponds to an amount per pupil \times the total enrolment, whereas in Ghana gender parity was stressed. During the pilot of the fCUBE programme in Ghana, the enrolment of girls was encouraged by allocating more funds to schools per girl than per boy (US\$3.88/girl and US\$2.70/boy). However, since the impact on girls enrolment was not obvious and in order to facilitate the implementation of the programme at the national level, since 2005/2006 there is no more distinction between boys and girls (US\$3.31 per pupil enrolled).

In Indonesia, the formula developed targeted both access and quality. The first phase of the SGP was designed to maintain enrolment and the quality of education in the context of a financial and economic crisis. The formula was based on the enrolment of internally displaced students (IDS) as it was meant to assist schools meeting the needs of these IDS. The second phase of the programme (SIGP) had objectives that were specifically concerned with poverty alleviation as it specifically targeted the neediest schools in the poorest districts (133 districts out of 300). The formula was quite simple and similar to Lesotho and Ghana as it simply took into account the total student enrolment.

In both Nicaragua and Sri Lanka, the grant policy was meant to improve the quality of education through a more complex formula, taking into account more elaborate factors.

In Nicaragua, the Autonomous Schools Program (ASP) was based on the assumption that giving total authority to school actors would improve quality. The grant policy thus goes hand in hand with the parents' contribution in the form of school fees, as these fees were believed to be an incentive to strengthen the parents' implication in the school life. But in order to counteract the possible negative impact on equity of these fees, the formula considers, in addition to the number of students enrolled, the number of students exempted from fees (the poorest ones). The third criterion – the school record for repetition and dropouts – is meant as an incentive to improve quality: the lower these rates, the higher the grant.

The formula used in Sri Lanka is certainly the most complex of the countries studied, and the number of pupils is clearly not the dominant determinant of funding allocation (see details in Box 2). This formula, called the Norm-Based Unit Cost Resource Allocation Mechanism (NBUCRAM), gives schools the autonomy to spend funds on educational inputs they think most appropriate and is based on various factors such as student characteristics, availability of different school cycles, corrections for possible economies and diseconomies of scale, and school site characteristics (small, rural and disadvantaged schools receive larger amounts of per student funds).

Box 2. Sri Lanka - A complex funding formula

Each school i has an EQI utilization rate of UR_i , which is determined by a combination of school and administrative level variables as shown in [eq2] below:

$$[eq2]: UR_i = \beta_T T_i + \beta_S S_i + \beta_M M_i + \beta_P P_i + \beta_C C_i + \beta_Z Z_i + u_{iz}$$

Where:

- T_i is a vector of teacher characteristics:

- Excessive leave (% teachers taking more than 25 days of leave in the school)
- Gender (% Male)
- Salary (% receiving different salary scales)

- S_i is a vector of school characteristics:

- Grades (primary only, secondary only, etc.)
- Student teacher ratio (in primary, math, English)
- School size
- School type (well facilitated, facilitated)
- School supervision (supervised by school administration)

- M_i is a vector of variables measuring the management capacity of the school:

- Capacities of the principal and school actors to identify and to administer

utilization of EQI funds

- Capacities of the school to identify suppliers for goods
- Capacities of school actors to operate a bank account
- Capacities of school actors to handle documentation on the use of EQI funds

- P_i is a vector of principal's characteristics:

- Qualifications
- Experience
- Gender

- C_i is a vector of school community characteristics:

- Location of the school (rural or urban council).
- Dichotomous variable indicating whether more than half of the student population came from poor households
- Dichotomous variable indicating whether the school was able to raise funds through private activities

- Z is the education administration zone the school belongs to:

- Received funds on time
- Inspected

- U_{iz} is a random disturbance term

- The terms β are coefficients to be estimated.

Source : Arunatilake, N.; Jayawardena, P, 2010.

Overall, the different approaches mentioned have some advantages and disadvantages. A simple formula allocating a fixed amount per child per school (Ghana, Lesotho) allows schools to anticipate the amount of the grant, which somehow brings financial security to schools and facilitates the financial management. In addition, the simplicity of the formula may bring a feeling of equality; the simplicity also allows for greater transparency and this may permit easier control by the various stakeholders, such as the parents. However, this formula considers that every pupil of a specific grade in every school has the same educational needs and thus, requires the same amount of funds. It is very unlikely that such a hypothesis could be borne out in the facts.

A more complex formula taking into account socio-economic factors and site characteristics (Sri Lanka) appears to be more concerned with equity as it is more based on the school needs. It, however, requires the availability of elaborate data within a country and implies a heavy workload of data collecting from school actors often not trained for such work. Also, as explained before, the simplicity of a formula allows for better transparency. A more complex

formula will thus lead to less immediate transparency. Such a formula is moreover complicated to develop as it is difficult to assess what impact the various factors may have on inequality (e.g. how do we translate into financial terms the disadvantage of being in a remote rural area, or the additional incentive needed to attract a poor girl to school?).

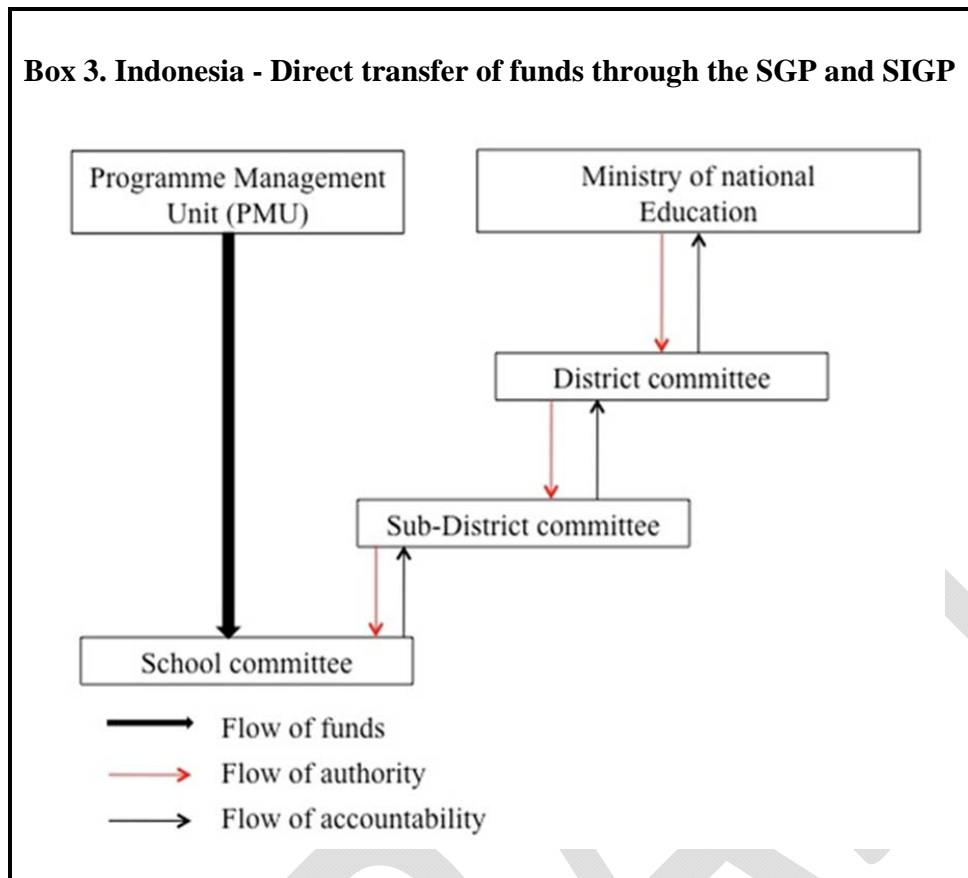
2.2 Grant transfer mechanism

A second issue to be taken into account when elaborating a grant policy relates to the distribution mechanism: Are funds directly transferred to the schools on their bank account or do they pass through the administration?

In the majority of the countries studied, the mechanism chosen is a direct transfer of the grant to the school bank account through the banking system. However, depending on the country, the grant is allocated through different actors located at different levels.

In Indonesia, Lesotho or Nicaragua, funds are transferred directly from the central level to the school. The aim of this organization is usually to accelerate the delivery of funds and to avoid the filtration effect of passing funds down through the different levels of the administrative structure. In Indonesia, under both the SGP and the SIGP, funds were delivered directly to schools through the Programme Management Unit (PMU), located at the central level (see Box 3). Under the SIGP, funds were directly sent to the school bank account through the banking system, whereas under the SGP, the distribution of grants was done through the Indonesian Post Office (PT Pos Indonesia) to the local areas. In both Lesotho and Nicaragua, the Ministry of Education transfers the grant directly to the school bank account.

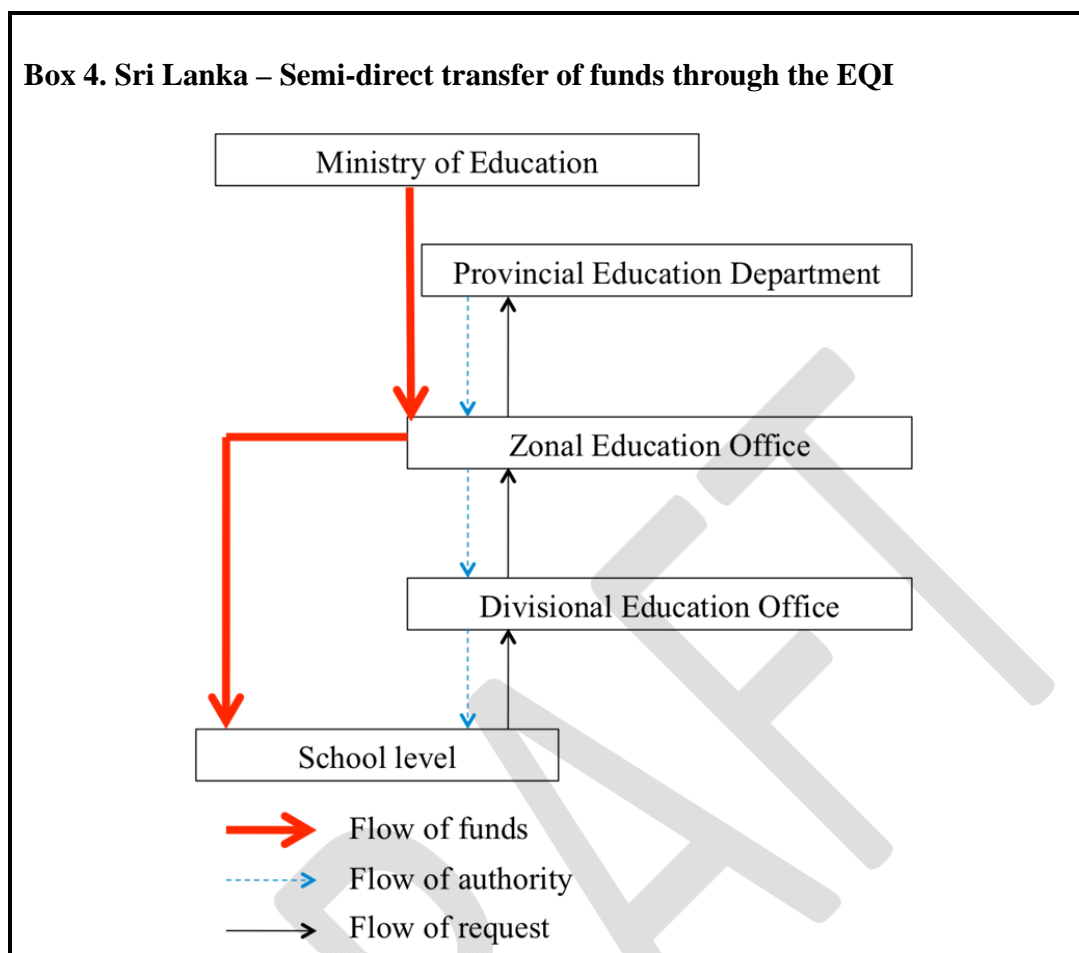
Box 3. Indonesia - Direct transfer of funds through the SGP and SIGP



In other countries, funds are transferred from the central level to the local level authority and from the local level to the school. In Ghana, the Ministry of Education gives funds to the DEO, which then allocates them directly to the school bank account, whereas in Sri Lanka, money is given by the MOE to the Zonal Education Office (ZEO) (the level between the province and the district), which then transfers the funds to the school bank account (see Box 4).

Grants can be transferred to schools in one lump sum amount or in several instalments throughout the school year. In Lesotho and Sri Lanka, the totality of the funds is sent at the beginning of the school year (field studies, however, revealed that delays are frequent), whereas in Ghana, grants are transferred three times per academic year. In Nicaragua, transfers are even more frequent as the Ministry shifts its financial allocation every month.

Box 4. Sri Lanka – Semi-direct transfer of funds through the EQI



2.3 Existence of conditions for the release of grants

Overall, in every country studied, the schools must provide documents in order to receive the grant. The complexity of such documents varies from one country to another. Surprisingly, the improvement of access and/or quality is not a mandatory condition for the release of funds to schools. Schools are not asked to provide documents or statistics showing such improvements.

In Lesotho and Indonesia, schools are only asked to provide clear financial reports once a year in order to obtain the funds for the following year.

The situation is different in Sri Lanka; schools are not asked to provide financial reports, but a list of their needs for the next school year. A committee in charge of the control of funds at the school level, the School Evaluation Committee (SEC), must prepare a list called Consumable/Capital Quality Inputs Priority List each year before the end of the ongoing year. Funds will then be allocated according to this list.

Similarly, in Ghana, schools are asked to prepare a School Performance Improvement Plan (SPIP) designed to cover several key activities to be undertaken such as enrolment drives, provision of teaching and learning materials, school management, repairs, etc. Funds will then be allocated according to this plan. However, unlike in Sri Lanka, schools are also asked to provide financial records.

The writing of such documents is usually very complex for school actors as they are not used to dealing with financial records. The case of Ghana is the most eloquent as the plan requested from the schools is very detailed, making it very complicated and very time-consuming for school-level actors.

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3. Management and use of funds

3.1 Level of autonomy of the school to use funds

A fundamental issue concerns the schools' level of autonomy in the use of the grant. The situation can differ from one extreme to another. On the one hand, the use that schools can make of grants can be restricted by tight budget lines defined at the central level, or on the other hand, the school can receive a lump sum which it can use fully autonomously.

In both Sri Lanka and Ghana, the decision-making at the school level over the use of grants is rigorously guided by detailed documents. Under the EQI in Sri Lanka, schools are in principle given the autonomy to spend funds on the educational inputs they think most appropriate for their school. However, educational quality inputs are chosen according to guidelines given by the MOE. In addition, strict budget lines constrain all the more the use of grants, as they sometimes do not correspond to the usage that school actors want to make of the funds. The situation is very similar in Ghana where the use of grants under CGS is strictly guided by detailed guidelines.

In Lesotho, the field study showed that a circular giving some details on the way schools are expected to use the grant also exists but, as learnt from several schools, this circular is not always present in school. It may thus not be surprising that schools do not systematically respect these guidelines. But the restrictions on the use of the utility grant are quite tight (grants are to be used mainly for maintenance and payment of utility bills) and the amounts are fairly small; therefore the autonomy of schools remains rather limited.

While the use of funds is rigorously directed by detailed documents in Ghana and Sri Lanka, the situation is quite different in Nicaragua and Indonesia.

Under the ASP in Nicaragua, each autonomous school is governed by the Local School Committee composed of parents, the president of the Parents' Council, the school principal, up to three teachers, and the president of the student government. These LSC have complete control over the use of the funds, as long as they comply with some technical requirements of the MED. Somewhat surprisingly, the situation is similar in Indonesia where there is less school autonomy. The block grant system adopted for SGP and for SIGP did not constrain recipient schools in the spending of the funds. Once allocated, schools were allowed to spend them within fairly liberal parameters.

Such autonomy always carries the risk of abuse: in Indonesia, even if both the SGP and the SIGP relied greatly on regulatory approaches in order to limit corrupt practices, many cases of fraud emerged.

The opposite situation also carries some disadvantages: the research showed that detailed guidelines (Ghana, Sri Lanka) designed to be helpful to schools, turned out to be an impediment to the use of funds by the school staff, who found them too complex and often difficult to adapt to their school. The challenge thus appears to be to find the right degree of autonomy and regulation.

3.2 Actors involved in the management of funds

An analysis of the role played by the different actors within the school is very significant as it allows assessing the level of transparency in the decision-making process: Are decisions made by a few individuals without consultation or does the availability of these grants lead to a participatory decision-making process which improves the overall relationships within the school?

In both Sri Lanka and Nicaragua, a committee is in charge of the management of funds: the School Purchasing Committee (SPC) for the former and the LSC, mentioned before, for the latter.

In Sri Lanka, this SPC is composed of three members (the principal, deputy principal, and senior teacher) and the membership should be approved by the Zonal Director. In Nicaragua, once autonomy is approved for one school by the MED, training on the management of funds is supposed to start for new LSC members and school staff. Ministry staff is in charge of conducting training sessions throughout the country.

In Ghana, it appears that the management of funds relies greatly on one actor, the head teacher. When funds are needed for an activity in Ghana, the person responsible for it appeals to the head teacher to apply for funds through a request form. The cash equivalent for that activity is then withdrawn from the bank, an advance form is completed, and the cash is given to the teacher requesting that it be used for the purpose indicated on the request form.

In Lesotho, the situation is similar as the management of grants is mainly done by the principal. While in Ghana the head teacher is officially responsible for this task, in Lesotho such a responsibility is officially handled by the Management Committee. However, the field study revealed that the principal is often the one in charge of it as he/she is generally more competent for such a task.

In a context where no one is trained in financial management, it can be considered normal that the principals undertake this work because they are the most qualified in general terms. It can

however easily lead to mismanagement in case of incompetence of the person in charge, or it can even become an obstacle to transparency.

3.3 Use of grant

The arrival of funds at the school level does not automatically imply that these funds will be used for the benefit of the pupils and lead to better school quality and improved school functioning. The examination of the actual use of the school grants will allow determining if these funds are used for inputs or activities which are known to have an impact on quality or if they are used more for the immediate benefit of teachers or of students.

In the countries studied, two main uses of the grant can be pointed out: for maintenance and for learning and teaching materials.

The case of Lesotho is the most evident as the grant is called a 'utility grant'. The grant should strictly be used for maintenance purposes and for water and electricity bills. However, the field study showed that the utility grant was often used for transportation and at times for school materials.

In Indonesia, the use of funds is not strictly guided but the research revealed that, in many cases, funds were used for the physical improvement of school buildings rather than for pedagogical materials.

In Sri Lanka, grants are used for both maintenance and school materials. The use of grants is indeed strictly guided by the Guidelines; schools must allocate 60% for consumables and 40% for repair and maintenance. Nevertheless, it appears from the research that two main factors impeded the spending of the totality of the grants. Firstly, teacher training relating to the use of EQI was not sufficient. Secondly, the guidelines were so detailed and complex that they became a real constraint to the understanding of EQI and therefore to spending. As a consequence, schools were able to spend an average of only 80% of the funds made available to them.

In both Nicaragua and Ghana, grants are used for broader purposes. In Nicaragua, grants finance the teachers' salaries and textbooks. As explained before, under ASP, school grants are not the only funding sources a school gets. Local contributions are requested and used for the financing of additional school materials and repairs.

Ghana is probably the country with the most varied use of grants. Guidelines allow schools to spend grants on the provision of teaching and learning materials, school management, support to needy pupils, minor repairs, and payment of sports and culture levies. A field study even showed

that unapproved procurements are made by schools, such as paying community pupil teachers, transportation and travels for head teachers and teachers (i.e. management expenditure), Independence Day parades, speech giving and prize awarding days...

3.4 Existence of training programmes for school-level actors

The decentralization of funds management brings additional responsibilities to school actors, who are obliged to develop new skills.

Training sessions on the use of grants are organized in the countries studied. These sessions are provided by different actors depending on the country: the National Institute of Education (NIE) in Sri Lanka, the DEO in both Ghana and Lesotho, the Ministry of Education in Nicaragua, and independent trainers briefed by the PMU located at the central level in Indonesia (see Box 6).

Box 5. Indonesia - Training sessions: a cascade approach

Because the implementation of the SGP and the SIGP programmes was under the responsibility of school committees, planners knew that in order to be efficient and successful, local participation needs to be accompanied by relevant training and support.

To do so, provincial and district secretariats were set up to offer contact points, organize internal monitoring and handle public complaints.

In order to transfer information to upwards of 400,000 people, a cascade approach was adopted for both the SGP and the SIGP: PMU briefed a central group of trainers (TOT) about programme rules. They provided training at provincial level to district staff, which in turn trained sub-district and school committees.

However, the research showed that in each of these countries training is not always efficient for three main reasons. Firstly, training sessions are rarely provided to every person in charge of funds management. Secondly, when provided, such training is usually given once or a very few times in a school actor's career. Training should thus be more continuous, as oftentimes school actors' deal with financial management for the first time. Lastly, with particular emphasis in Indonesia, the skills of trainers and their knowledge of the programmes declined as the training cascaded down from level to level. As a consequence, the training was least efficient at the school level, where the need for a clear understanding of the programmes was the greatest.

4. Control of funds

The transfer of grants to schools has generally been accompanied by the setting up of control mechanisms. The effectiveness of these mechanisms has an impact on the use of the grants and on their usefulness. Three series of questions may need to be examined here, related respectively to the actors, the tools and the feedback. The actors who have the right to monitor and control can be inside the school, around the school (a school management committee or a parents-teachers association) or at higher levels within the administration. The tools could be simple financial reports or much more detailed audits. A third issue, regularly neglected, concerns the feedback: What information is sent back to the school on the use of the grants, subsequent to monitoring and control, and is this information helpful to improve its use?

4.1 At the school level

In countries like Nicaragua, Sri Lanka or Indonesia, the control at the school level is done by a committee: the Local School Committees, mentioned before, in Nicaragua and the School Committee in Indonesia.

In Sri Lanka, a specific committee in charge of the control was created: the School Evaluation Committee (SEC). It is composed of four members: a deputy/assistant principal, a senior teacher, a teacher, and a senior prefect.

In Lesotho, if such responsibility should normally be handled by the Management Committee, the field research, however, explained that principals are often the ones in charge of it. Once completed, financial reports are shown to a parents' assembly, making the control of funds more transparent.

Similarly, in Ghana, the control of funds is done by one actor: the head teacher. He/she is thus responsible for controlling whether funds are properly used, and in case of failure he/she is sanctioned by the Ghana Education Service (GES) located at the central level.

4.2 By other actors

External control is usually done by auditors of the DEO, as in Ghana, or directly by the Ministry. While in Sri Lanka control is done by auditors from the Ministry of Finance, in Nicaragua the monthly reports are sent by the LSCs to the Municipal Delegation of the Ministry of Education. In Indonesia, the situation is different as independent monitoring has been developed with the creation of a Central Independent Monitoring Unit (CIMU) under both the SGP and SIGP. Field

studies revealed that the regularity of external monitoring and its relevance differ from one country to another.

In Indonesia, it appears that the CIMU carried out a very regular monitoring activity but also helped schools to organize their own monitoring activities, making the control even more pertinent (see Box 6). On the contrary, the external monitoring in Lesotho seems to be more or less systematically control the accuracy of the financial reports sent by the schools and rarely sends feedback to the schools.

Box 6. Indonesia - The Central Independent Monitoring Unit

Indonesia is the only country studied which developed independent monitoring, with the creation of a Central Independent Monitoring Unit (CIMU) under the SGP and the SIGP.

Even if it was initially conceived so as to assess conformity with programme rules and to look after the funds allocated, the range of CIMU's activities grew over time.

Under the SGP, the monitoring relied mainly on national surveys and case studies because the size of the target population being colossal (national coverage), sample sizes were necessarily proportionally small.

By the start of SIGP 2, the list of CIMU's responsibilities had increased because, as explained earlier, SIGP targeted fewer schools than SGP.

CIMU's monitoring became thus more intensive: it decided to take on 2,150 school visits, to a minimum of 1,290 schools, during five rounds of field monitoring. This represented 45% of the total number of grant beneficiaries.

In conducting investigations, CIMU repeatedly visited some of the more problematic districts and schools, which is the reason why a small number of schools (430 or 15% of the total) were to be visited three times.

5. Impact on equity and quality

The impact of the grant policies in the five countries studied varies from one country to another, as their objectives, and thus their formulation but also their implementation, were different.

5.1 Impact on equity

Such policies influenced the access to education for the poorest rather positively.

If an increase in enrolment rates is obvious in Ghana and Lesotho (the implementation of CGS at the national level in 2005/2006 in Ghana led to a general enrolment increase of 16.7% over 2004/2006), the impact was somewhat different in Indonesia. To understand these outcomes, the educational background must be taken into consideration: the enrolment rates before the introduction of the grant in both Ghana and Lesotho were much lower than the ones in Indonesia, thus facilitating the increase of such rates.

In addition, as mentioned before, the SGP programme was not initially designed for poverty alleviation but to keep students currently enrolled from dropping out at a time when massive dropout was expected. From this point of view, it was successful; the anticipated increase in dropout from schools did not occur. However, the impact on equity is less evident as the enrolment rates before the implementation of the SGP in 1998 and the ones after the implementation of the SIGP in 2001 are similar, indicating that access to education, probably for the most disadvantaged, was not improved.

From an equity point of view, there has probably been a positive impact in Ghana and Lesotho, where the unschooled are being schooled, but this is less so in Indonesia, where there was no decrease in dropouts. The situation is more complex in Sri Lanka and Nicaragua where distinct equity issues emerged.

In Sri Lanka, the complex model used to allocate EQI funds was theoretically pro-poor as schools sharing the same characteristics under the formula are treated equally and student characteristics, school cycles, and school site differences are taken into account when allocating funds, which implies that the poorest schools received the most funds.

However, as mentioned earlier, a significant part of the funds allocated was left unspent (around 20%) and this was especially the case in needy and small schools. Despite their small size, these schools are required to respect almost the same procedures adhered to by the larger schools, which increases their administrative work. In addition, staff size is less important in small

schools, implying that the number of teachers available to share the workload is low. Finally, larger schools are allowed to hire an assistant to help with the EQI procedures, whereas principals and teachers of smaller schools have to manage without this help. This shows that allocating more funds to more disadvantaged schools alone is not sufficient; the funds need to be properly utilized. In the case of Sri Lanka, this unwanted situation is partly due to both the complexity of the guidelines and the lack of competence and training of teachers and principals.

Another equity issue is faced in Nicaragua. The autonomy given under the ASP programme is based on the assumption that local community financial participation will positively contribute to parents' implication in education issues and to education quality. This is why fees were not abolished, though exemptions are made for the poorest students. However, there are obvious equity issues in considering these fees. Indeed, there is a significant and negative correlation between poverty and the contribution of school fees, and the fact that the poorer communities contribute significantly less to the school-based charges is worrisome especially because the school grants are less important than the fees which the parents pay. These are the communities where extra resources are needed the most. The fact that grant transfers to schools do not succeed in making up for the wide differences created by parental contributions is a concern. Therefore, the assignation of grants to schools with different financial needs is an issue and is the reason why this type of financing mechanism is a key area of contention.

5.2 Impact on quality

The impact on the quality of education of such policies is much more difficult to assess, especially because there is often a lack of useful data on the precise use of the grants and the educational outputs. This question is particularly important in Sri Lanka and Nicaragua, where quality improvement is an explicit aim of the programme.

As explained before, the EQI Scheme in Sri Lanka was designed to improve the quality of education for all by giving school-level actors the responsibility of both the identification and the procurement of education quality inputs. Although this is a step towards better quality, studies revealed that small and rural schools benefit less from the programme. Indeed, various local factors in these schools affect the efficient use of funds such as poor training, lack of qualified principals or teacher shortages, thus reducing the schools' ability to spend funds efficiently.

In Nicaragua, studies showed that since the implementation of the ASP, there is a new focus on student progress and accountability. However, such improvement is probably more linked to fees than to the introduction of the grant. It is nevertheless of interest to notice that in the case of Nicaragua, the parents' involvement might have led teachers to be more innovative, to assess

pupil performance on a more regular basis, and in some cases to have more contact with parents regarding their child's school work.

In both Ghana and Indonesia, this impact was rather limited as it mainly improved school facilities but did not really focus on student progress.

In Ghana for example, the condition of most of the facilities and the academic environment generally improved with the implementation of the capitation grant policy. This should, however, be interpreted carefully as, in many schools when enrolment increased, additional classrooms were required as well as additional textbooks and other teaching and learning materials.

Similarly in Indonesia, the grant policy mostly played a role in the improvement of the quality of school buildings and equipment by keeping schools in operation with at least minimal levels of resources. This was even more certain under the SIGP, which also successfully improved the learning environments of the schools affected by giving them more important grants.

In Lesotho finally the grant is small and its main purpose is to pay for maintenance and utility bills. As a result, its impact on quality cannot be other than marginal.

6. Conclusions

Overall, school grants are generally introduced in order to improve equity in access to education, reducing cost barriers for poor families to enrol and maintain their children in school. They are meant to replace, and in some cases increase (Nicaragua), the income collected at the school level through fees. Grants can also be meant to improve education quality by providing financing for several fundamental education inputs, but also to strengthen the autonomy of schools.

As this type of policy is part of a broader policy of educational decentralization, the introduction of school grants may also enhance the involvement of parents and communities in school management.

While school grants policies' objectives and formulation depend greatly on the national context, many common recommendations can, however, be advanced, as follows.

Need to preserve the local community support and implication. The research pointed out the need to ensure that replacing fees with school grants does not lead to a loss of interest in the school life from the local community and specifically from the parents, whose financial participation could still be envisaged when they can afford it.

Except for the specific case of Nicaragua, the country studies showed that when a government advertises free education and the fact that the parents' contribution is not mandatory anymore, there is a serious financial disengagement and a lack of interest in the school life from the parents.

Involving parents and the community in funds management (through committees or by putting the financial reports on the school wall) and in any other school activity (concerts, fun day, sports event...) can be an effective way to increase their interest in the life of their school and in their children's education.

The use and the size of grants must be well considered. In cases where the use is tightly circumscribed and the financial constraints lead to very small grants like in Ghana or Lesotho, the burden of the workload and transaction costs at the school level needs to be weighted against the advantages achieved through grant policies. When designing such policies, governments should thus consider the advantages and disadvantages of allocating school grants, paying particular attention to what the coverage should be.

A suggestion could be to provide each school, in addition to a fixed amount per pupil enrolled, a fixed grant, independent of the size, to address the fact that many fixed costs are largely

independent of school size and avoid situations where the smaller schools benefit less from the grant.

The level of available contributions and costs must be identified and better incorporated into the analysis of the ability and willingness to pay. A scheme of full school autonomy, as in Nicaragua, relies partly on the local community financial contribution and, as said in the previous section, this may lead to equity issues as poorer communities contribute considerably less to the school budget. It is thus important that the MED allocate money to the poorer communities that are unable to collect fees so that students in these communities can benefit from the necessary resources.

Policies and procedures should be simple. The case of Ghana, and more specifically the one of Sri Lanka, showed that when procedures are too complex and detailed, this might lead to unspent funds. In addition, the case studies revealed that needy and small schools are the ones suffering more from it because of a lack of resources and competences. A solution could be to develop differentiated procedures requiring less workload for small rural schools and for schools receiving a very small amount of funds.

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