

# Literature Review on School Funding in Sub-Saharan Africa

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## 1. School funding context

The focus on the funding of schools in sub-Saharan Africa is set within the context of decentralization of functions to lower levels in the schooling system. This institutional reform process and policy tendency has been evident in almost all African countries over the last 20 years.

According to Vuchic (n.d.) complete centralization of the school system provides the central government with total control not just over almost all financial distributions to schools, but on the administrative and curriculum decisions as well. The strengths associated with this approach are that it allows the government the ability to improve, if not ensure equity in both the financing and the quality of education; it is also believed to enable it to provide consistent curriculum and assessment systems throughout the country. However this approach is often criticized on the basis of its bureaucratic nature, a process that is regarded as being both a wasteful and inefficient practice. Complete centralization is also criticized on the grounds that it makes it difficult for schools and communities to give feedback about their needs to the government, and also it is seen as leading to a one-size-fits-all approach in which for example, schools in rural areas are not likely to benefit from policies that are intended to help urban school districts (Vuchic n.d.). As a result of such concerns and international political pressure for decentralisation, greater devolution of power in education systems has become a feature of most countries in sub-Saharan Africa.

Decentralization of education is when authority and accountability are distributed at various levels in the system (South Africa Department of Education, 2004a). There are many reasons why decentralization in education is implemented. However the over-riding justification is that it allows key education delivery and decisions to be shared and communities can have a say in decisions that affect them (Motala and Pampallis, 2005). According to Ryukoku RISS Bulletin (2001), decentralisation has been a particular concern of donor agencies, with the World Bank (WB) and the International Monetary Fund (IMF) in particular pushing governments to implement greater decentralisation in education. It is usually packaged together with broader economic liberalisation which involves reductions in state interventionism in the economic sphere, the liberalisation of markets through both privatization and deregulation and the increasing of user payments for services.

Motala and Pampallis (2005) identify four types of decentralization that can impact on schooling: deconcentration, delegation, devolution and privatization.

- (i) *Deconcentration* involves responsibility being shifted from the main authority to regional or district offices. However, they note that this is a shift of responsibility not authority to the local authorities who are still immediately answerable to the central government, which holds the finances, and not local people.

- (ii) *Delegation* is when decision making is shifted to local bodies. This is not a legislated decision therefore if the central government sees fit they may remove authority without an Act being passed. This form of decentralisation often sees funding remaining at the centre, with some delegation of financial responsibility to the local level, but within tight procedural guidelines.
- (iii) When real power and finance is transferred to a local body or institution such as provincial or local governments or even schools, as a result of legislation, it is called *devolution*. This power can only be removed if there is an Act that has been passed to reverse the devolution.
- (iv) Finally, *privatisation* is when decision making is given to owners of institutions. This is usually legislated. Privatisation occurs in three ways at schools, first is where the school is given public subsidies and also follows government rules and so does not charge fees, a second type is where schools get public subsidies but also get to make decisions without consultation or following government rules and they also charge school fees. The third type is where they are given private funding and so the school itself is in complete control of decision making.

According to Vuchic (n.d.), there are many different ways to centralize or decentralize various aspects of the provision of education. In some cases decentralization of certain areas may make sense and work for some communities while in other cases it can greatly increase inequality, while only improving education for a few select groups or communities. For this reason some countries have developed hybrid approaches. For example, rather than completely decentralizing the financing or administration to communities, some countries like the U.S.A. and Australia have tended to delegate only certain aspects of management from federal to the state level so that the states manage financing and budgets along with the communities or districts themselves. This helps to provide some level of redistribution while allowing some economies of scale which can get lost with high levels of decentralisation (Vuchic n.d.).

A further nuance is brought to this analysis by the EQ Review (2005). It divides decentralization initiatives into two broad types: the first of which is the devolution of service delivery responsibilities from national to local or regional governments, and the second is the delegation of many service delivery decisions and functions to the level of the school. The review shows that some countries attempt both types of decentralization simultaneously. Under devolution to sub-national government levels, education is added to the other government service delivery responsibilities held at sub-national level, and the sub-national government may be partly or entirely responsible for funding education. As the move towards individual school autonomy grows, a school board or school management committee is usually formed to provide oversight and is made up of elected community representatives in addition to teachers and the school head. Usually, the school head would be given new management powers and responsibilities and almost all of the school funding is provided directly to the school bank account by the government, thus promoting the decentralization process.

It is argued that decentralisation is intended to bring numerous improvements (World Bank 1998), and it is widely believed that it can contribute to the following: further democratization; more efficient public administration; more effective development; and good governance (Ryukoku RISS Bulletin, 2001). And thus, according to Behrman et al (2002), decentralization is on the list of recommendations made by the World Bank (1998) to effect a more efficient allocation of resources that is necessary to bring about improvements in the quality of schools and to deal with school financial pressures. In the education field Vuchic (n.d.) shows that decentralization of school management and school finances has been a hot topic in education policy for the last fifteen years, and that it is seen as a key solution to many of education's woes and for eliminating government bureaucracy, while increasing efficiency and accountability. It is further argued that in a democratic dispensation decisions cannot be made by the national government alone, therefore decentralization gives communities the chance to participate in decision making. Further, proponents of decentralisation argue that it allows previously disadvantaged groups to run their schools and to participate in decision making. Another reason why decentralization takes place is to 'reduce the financial burden of central government by sharing it with regional or local authorities or parents' (Motala and Pampallis, 2005:21).

What must be understood though is that decentralization does not always mean that there will necessarily be greater participation or inclusion of locals in decision making (Shaeffer, 1994). Decentralisation to district and school levels could be done in a dictatorial way by government officials, therefore decreasing chances of participation by the district or the school (Motala and Pampallis, 2005). Equally, where responsibilities are devolved but funding mechanisms are weak or non-existent at local level, or the level of poverty of local communities is high and survival dominates local activity, devolution is unlikely to lead to local 'ownership' (Shaeffer, 1994).

According to the International Institute for Education Planning (IIEP, 2010:3) some of the key questions to be answered as far as decentralization is concerned are: "Do local actors have the required competencies to implement their new responsibilities?" "Does decentralization not increase disparities?" "Does decentralization not really mean abandonment by the state?" "What role can the state play to ensure the successful implementation of the decentralization policy?". And some of the lessons that have been learnt so far are that to make decentralization impact positively on schools, the state needs to clearly distribute authority and accountability between levels and actors; allocate resources equitably so as to develop and support local capacities; regularly monitor disparities and equity throughout the system; as well as develop a good information system (IIEP, 2010).

If we focus now more specifically on school funding Vuchic (n.d.) describes and differentiates three approaches to school financing. The first is termed 'Centralized Financing and

Decentralized Management'. He states that the process of centralizing financing while decentralizing management allows the government to exercise and to control equitable financial distribution based on tax revenues, while at the same time allowing the local governments and municipalities more control over how that money is spent and how the schools and curricula are run. This type of a setup, as Vuchic shows, works well for some communities, especially affluent ones, because it gives them more freedom to cater for their schools around local needs and issues. However, he points out that it is sometimes very difficult for lower income communities to take advantage of, and to execute, decentralized management since they more often than not have neither the expertise nor the resources to handle the responsibility of school management, and they often need to rely on the government for the planning and management of their schools.

The second approach involves 'Decentralized Financing and Centralized Management'. Vuchic (n.d.) states that decentralized financing allows communities to raise funding for schools on a local level, a process which tends to work in affluent neighbourhoods while poor neighbourhoods suffer due to lower levels of available funding. In these circumstances, Vuchic (n.d.) shows that the government needs to provide targeted support to enable schools serving poorer communities to have at least a minimum level of committed funding. This practice is fairly common in the U.S.A. but Vuchic notes that it disadvantages children in lower income neighbourhoods, who actually need more funding per student, to achieve the same quality of education as a student in a more affluent community. Importantly, Vuchic concludes that decentralized financing tends to create the biggest increase in inequalities in education. This tendency has also been noted in South Africa (South Africa Department of Education, 2004a).

Thirdly, Vuchic talks about 'Decentralizing Financing and Decentralizing Management' or a full decentralization approach to school funding. Full decentralization gives local communities all of the freedom as well as the entire responsibility of raising funding and managing the provision of education in the community. The down-side to this approach is that while certain affluent communities can handle this, many lower income communities or regions just do not have the financial base and management capacity or the resources to handle this situation. The result is likely to be a highly differentiated system of education provision, based on community wealth and education.

The conclusion is clear, decentralisation disproportionately advantages the already advantaged communities and, unless government steps in directly, poorer communities find that they are left with second-grade schools starved of funds. This is a reality in South Africa and many other countries which have decentralised finances to school level (South Africa Department of Education, 2003).

Potentially this problem could be solved. Patrinos and Ariasingam (1997) talk of demand-side financing which refers to the channelling of public funds directly to individuals, institutions and communities on the basis of expressed demand or perceived need. They say that this may also mean resource mobilization by beneficiaries for identified needs, and that demand-side financing

is a pragmatic choice for introducing much needed reforms which correspond with both the local needs and the availability of resources. The mere use of demand-side financing mechanisms such as vouchers, stipends, and capitation grants does not necessarily imply less public finance. The authors identify that among the more successful approaches to implementing demand-side financing components in education projects, the involvement and support of beneficiaries (such as parents and students themselves) appear to be the most important ingredients towards ensuring viability and sustainability of any school funding project. For example in Baluchistan in Pakistan, the creation of village education committees is the key factor in the success of that province's girls' scholarship programme. In Chad another route was taken with the training of parents, who are involved in parent-teacher associations, in financial management and institutional administration. This practice was considered critical given the importance of parent-teacher associations in providing and financing primary schooling in Chad (Patrinos and Ariasingam, 1997). However, demand-side financing projects must have mechanisms to ensure that the finance reaches beneficiaries and is used for the intended purposes. These authors show that in many World Bank-financed education projects with demand-side financing components, commercial banks, with an NGO providing monitoring and reporting duties, are most frequently used for this purpose. Actual disbursement can be monitored through bank accounts set up for and by beneficiaries (Patrinos and Ariasingam; 1997).

## **2. A Critique of Decentralisation**

As we have seen, the strengths of decentralisation in education as argued in the literature are that it moves decision-making closer to the people and gives them a greater say in schooling decision-making. It is further argued that this gives people greater ability to hold service providers accountable. However, whether decentralisation leads to improved education is still debated. In theory decentralisation allows and empowers schools to determine their own priorities and to develop their own school reforms aimed to improve teaching and learning. But, in practice, weak management capacity, insufficient funding, inadequately trained teachers, and weak system support often make it difficult to realise the positive potential of decentralisation. However, while the empirical research evidence on the positive impact of education decentralization is mixed, it frequently shows that increasing parental participation in school governance, giving teachers the right to select their own textbooks, and granting school directors the authority to recruit teachers are likely to contribute positively to overall education quality (EQ Review, 2005).

The point that comes through the literature is that decentralisation in an under-resourced education environment, as is seen in most sub-Saharan African countries, is less likely to have the stated impact than in a more resourced environment.

It should be noted though that in reality, many countries adopt education decentralisation policies for reasons which have little to do with improving schooling. For example, Argentina

decentralised education to provincial governments primarily in order to reduce the federal government's fiscal deficit, and Spain decentralised education to regional governments to accommodate the demands of different ethnic/language groups (EQ Review, 2005). Thus the main challenge facing education ministries and donors is how to implement these policies to facilitate improved service delivery and to avoid some of the dangers which could worsen both the quality and equity of public education (EQ Review, 2005).

On the one hand, much of the literature indicates that decentralisation may help children in affluent areas because they will not have to share revenue with lower income neighbourhoods. By the same token, without any significant centralised support lower income neighbourhoods appear to struggle more in decentralised policy environments. They tend to lose revenue that they used to get from the common pool. Even with extra financial support from a centralized source, lower income communities need support and expertise in school management and governance which they often lack locally (Vuchic n.d.). This is one of the reasons that demand-side 'solutions' such as voucher systems are often opposed: they appear to level opportunity for all children, but are in fact tend to advantage the middle class who can use the mobility and school choice that vouchers allow, while less mobile, poorer children remain in their neighbourhood school through want of money for transport, or because they lack the information or courage (often described as 'cultural capital') to take advantage of the mobility that vouchers supposedly bring. Weighting a voucher system, such that it allows poorer children relatively more funding, might deal with some of the inbuilt problems of this approach, but a solution would still need to be found to poorer children's need for assistance in accessing and surviving in better schools.

### **3. School Financing Decentralisation**

Winkler and Schlegel (2005) point out that education systems around the world decentralize management to better serve and bring services closer to their beneficiaries: students, parents, and communities. They further assert that school grants are an important tool that can improve efficiency, quality, and equity of the decentralization process. Winkler and Schlegel (2005) indicate that school grants are transfers of financial resources and authority from governments or nongovernmental organizations directly to schools or small networks of schools. School grants are usually formula-based related to poverty rates and student population. This determines the funding amount. They are usually managed by the school director, a school council, or parent-teacher association. These grants are also often supported in Africa by education development projects which are financed by bilateral and multilateral organizations, as such they can be either unconditional or conditional. Unconditional school grants are those that the receiving school may spend as it wishes, while conditional school grants are financial resources transferred to the school level for the purpose of purchasing specific school inputs such as textbooks, teacher training or to fund specific school improvement projects. South Africa and Malawi, for example,

have experimented with different levels of prescription in the use of such grants to try and understand what the impact is on student outcomes and spending patterns (MoEST, DfID and LCD, 2009; Winkler and Schlegel, 2005).

To increase accountability for funds, a variety of school financing programmes have some safeguard procedures in place. For example, Indonesia's School Improvement Grants Program requires that two members of the school committee, the head teacher and the community representative, sign to open the school's bank account and to approve each withdrawal and use of funds (Winkler and Schlegel, 2005). In Ethiopia's Community-Government Partnership Program, at each phase the school sponsors an open-house forum to inform the larger community about school improvement efforts (Winkler and Schlegel, 2005), and after completion of the project the school holds another open-house to share its accomplishments. These examples indicate that each country's specific education goals as well as contextual and cultural norms need to be taken into account when designing fund accountability systems, which implies that there is no blueprint for the perfect school grant programme. The evidence we have also indicates that embedding school grants in the existing education management structure and ensuring that there is a financial infrastructure to process and account for financial flows greatly increases the likelihood of programme sustainability (Winkler and Schlegel, 2005).

But, does expenditure on school resources have positive effects on student outcomes? According to Taylor (1997) some studies, on one hand, estimate large and positive effects of school inputs on student outcomes, while on the other hand others find little or no effect at all. And still others conclude that additional school resources and student outcomes have an inverse relationship to positive student outcomes. One of the most publicised conclusions from this vast literature is Hanushek's (1986, 1989 in Taylor, 1997) assertion that there is 'no strong or systematic relationship between school expenditures and student performance'. In fact, Taylor emphasizes that higher improvements in student achievement should be expected in low cost districts or under-resourced districts, which, for the same nominal increase in expenditure level, can purchase proportionately more or higher quality real resources than high cost districts. However, this analysis does not appear to take into account inbuilt inter-school socio-economic differentiations. This is the problem that plagues most post-colonial African countries: the schools which were established to serve the colonial elite are innately better resourced than those serving the rural or urban poor. In addition they serve middle class children who tend to do better in school than children from working class backgrounds. It appears that there is little political will to level the playing field as the very elite, which benefits by the status quo, is the one that is drawing up the policy frameworks and agreeing spending patterns (Prew, 1992; Taylor, 1997).

According to Reschovsky and Imazeki (1998), even if it can be shown conclusively that spending money on public education at local level results in substantial improvements in student performance, it is important to recognize that there is not a one-to-one relationship between

spending and educational outcomes. It is important to emphasize that providing school districts with enough resources to achieve educational adequacy does not in itself guarantee that students will be provided with an adequate education. They argue that additional financial resources must be accompanied by strict accountability standards. Governments will need to develop financial incentives or penalties, plus other administrative mechanisms, to assure that local school districts actually improve educational outcomes and meet their goals of educational adequacy. If local school districts fail to meet these standards of performance, state governments may have to assume direct administrative control over local districts again. Such a scenario has been seen in South Africa where the national government has had to take direct financial responsibility and control of the Eastern Cape provincial education department (reference). This situation is complicated where funds are provided to local government without direct earmarking for specific functions. In this situation schools are fighting for funds from a common pot which is meant for a range of services including health and social welfare. If they fail to make a strong enough case or if the local powers are not predisposed to see education as a key priority, schools can find themselves starved of funds. In addition this situation makes school and district level planning difficult as it means that funding is not secured and known year on year (Reschovsky and Imazeki, 1998).

#### **4. Country Case Studies**

According to Maikish and Gershberg (2008), most countries in Sub-Saharan Africa (SSA) have been slow to realize gains in universal primary education enrollment rates. In the 1980s and early 90s, the SSA region saw a decline in the primary school gross enrollment rate while all other regions saw an increase (UNESCO, 1998 in Maikish and Gershberg, 2008). As a response to this situation many governments in Africa initiated programmes to encourage enrollment in primary education. Many of these programmes aimed to increase participation in primary education by abolishing school fees. Simultaneously, many governments promoted a strategy of education decentralization which entailed shifting responsibility for education decision making, and to a lesser extent finances, into the hands of local educational authorities and even schools (Maikish and Gershberg, 2008).

For instance, through what is termed the Capitation Grant Scheme, Ghana embarked on a national initiative for the provision of universal primary education in 2004. This initiative, which was driven by the World Bank and DfID, sought to meet constitutional commitments in which free, compulsory and universal basic education (FCUBE) is mandated, and to support its educational policy, which came into being as an outgrowth of this constitutional mandate. It removed the direct financial barriers to enrolling in schools while, at the same time, it also compensated schools for any loss of revenue incurred by eliminating student levies. The Capitation Grant Scheme sought to encourage effective implementation of decentralization by

empowering schools to plan and carry out school quality improvement activities using accountability guidelines and forms. The Capitation Grant Scheme also serves to support the FCUBE policy as well as Ghana's decentralization policy (Maikish and Gershberg, 2008). Many other countries in Africa, often under donor pressure and with external funding, have followed similar policy trajectories.

The following sections look at how decentralization has impacted on school financing and on the operations of schools in five countries, Uganda, Lesotho, Ethiopia, Malawi and South Africa.

### **a. Uganda**

By African standards Uganda has written into policy a highly decentralised system of school funding and management. Furthermore this system was initiated earlier than in most other African countries, in the 1990s. At that time funds were reportedly disbursed by the Ministry of Education and Sports (MoES) on a regular basis. However, like in many other spending programmes in low-income countries, the actual situation on the ground was a far cry from that presented in official statistics. A Public Expenditure Tracking Survey (PETS), introduced to gauge the extent to which public resources actually filtered down to the schools, revealed that in the mid-1990s the average school received only around 20 percent of central government spending on the programme (IOB, 2008). The bulk of the grants were misused by local government officials and politicians in charge of disbursing the grant to the schools, with 20% of personnel expenditure going on 'ghost teachers' and only 13% of non-personnel allocated funding actually reaching schools. The data also revealed large variations in funds received between schools. Data on public spending reaching the schools showed also that schools in poorer communities tended to suffer more significantly from misuse of funds.

In reality, as had been the situation since before independence, schools still depended to a large extent on community contributions. This means that most were severely under-resourced. In response to the PETS revelations the government initiated a newspaper campaign to inform schools, parents and communities of their rights (Reinikka and Svensson, 2004). However, this did not deal with a larger problem, which a 1991 USAID report noted. This was that the,

*“[m]anagement of the educational system at the school and district levels is abysmally weak. Systems for record-keeping and accounting are inadequate, leading to misallocation of funds, salary payments to 'ghost' teachers and a general lack of fiscal accountability.”* (Hubbard, 2007:4).

According to Hubbard (2007), in the period between 1991 and 1995, the central government of Uganda paid the school capitation money to district governments in the form of what is called the 'block grant', since it was made up of twenty-four separate grants put together into a single

amount that was in turn transferred to a district. While the district was supposed to pass the capitation funds on to primary schools within the district, the block grant arrangement did not require that the funds be accounted for and as a result the entire system was chaotic. For example, the lines of communication between the local school, the district officials and the central government were very poor, and the MoES's official statistics did not match actual local school enrollment (Hubbard, 2007). Such discrepancies opened the door for theft or misuse of the funds.

Hubbard (2007) shows that the introduction of Universal Primary Education (UPE) in 1997 brought a remarkable change in the structure of school financing, such as the abolition of the compulsory parental contributions that had previously been a mainstay of school funding. In order to compensate schools for the loss of this funding, the school supply capitation grant was rebranded as the UPE Capitation Grant, and its nominal value per student was doubled to Ugx 5000 for primary 1 – 3 and Ugx 8,100 for primary 4 – 7. In practice, the pre-1997 grant was a supplement to school fees while after 1997 the grant replaced school fees, so in effect the two grants were of very different value and function. Later this grant was replaced with a standard amount per school with a small capitation grant added based on each learner enrolled (IOB, 2008). The rough doubling of the school population between 1995 and 2001 (from 2.6 million to over 6 million) further doubled the national spend on the grant. This surge in enrolment, which continued with school enrolment reaching 7.6 million in 2003 (IOB, 2008), put huge pressure on the public fiscus and the capacity of the Ugandan education system which turned to the World Bank for help.

Over a three year period the World Bank and other donors provided significant sectoral budget support and technical assistance toward the UPE programme. However the donors gave funding subject to conditions. One World Bank condition required Uganda to implement a monitoring system for accountability on the use of public funds allocated to both the districts and schools. The Ugandan government appears to have done its best to implement this condition through the creation and increasing empowerment of the Education Standards Agency, which was renamed the Directorate for Education Standards (DES). Also, the MoES carried out audits and commissioned reports on the flow of funds from disbursement through the entire system. These reports identified some hitches and delays in the flow of funds. But eventually donors were satisfied that their conditions were met. According to USAID's assessment, about 90% of districts were displaying the details publicly, a similar proportion of schools were aware of their transparency obligations for capitation grants, and 90.4% of primary schools indicated that they had received at least 50% of their UPE capitation grant allocation (Hubbard, 2007). By 2001 with these tighter accounting measures 80% of allocated funds were reaching schools compared to under 20% seven years earlier (IOB, 2008).

De Kemp asserted in 2007 (IOB, 2008) that things were far from perfect, with funds still being spent on ghost teachers and ghost learners, school management team members (drawn from the community) demanding seating allowances to attend school governance meetings, so eating into available funds, and opaque decision making at all levels of the system, along with over-reliance on foreign aid for recurrent expenditure, raising questions about 'ownership' (IOB, 2008:54).

It's also important to note that in Uganda, in spite of the transfer of funds through the district administration and the autonomy of the districts, the funds allocated for education cannot be used for other purposes, which is different from other sector departments at district level. This was a change that was brought about through experience. The District Education Offices' (DEOs) autonomy in the use of the devolved funds is quite limited, being constrained by the guidelines developed by the central MoES in the use of the funds, by the district work plan, and by a system of control and accountability in the decision-making process. According to Avenstrup et al (2004) the government grants to schools are to be used as follows: 50% of the grant is for instructional materials; 30% for promoting extracurricular, sporting and cultural activities; 15% for maintenance and utility purposes; while 5% is for covering administration costs. As for the management of the capitation grant, and of the funds allocated to schools, it is indicated that the head teachers keep the accounts. The auditors are supposed to visit every school three times a year and schools should use their capitation grants in line with national guidelines, a process which the auditors check up on. In addition, the political authorities may also go to schools and see what is being done. Evidence shows that misuse of funds in most schools has become increasingly rare (Avenstrup et al, 2004).

In recent years the allocation per learner has been rising with it being set at about Ugx 60,000 in 2005. However at the same time the percentage of this allocation being spent on teacher salaries has also increased, from 56% in 2001 to 70% in 2006. Therefore the increasing per capita grant is largely neutralised by salary increases, which means that there is less money available for non-personnel expenditure (IOB, 2008). However, well over 50% of the recurrent expenditure in education is externally funded (IOB, 2008). This means that the education system is very vulnerable to changes in international aid patterns, so the system was affected by the recent global economic crisis, and is open to donor pressure to focus on their priorities (such as post-conflict schooling) rather than Ugandan development priorities.

However, a critical element for effective decentralisation of funds to schools is still weak: the management capacity at school level. Most of the head teachers still lack both record keeping skills and financial management capacity, which partly contributes to poor financial accountability. Regardless of this challenge most districts have never undertaken any initiative to ensure effective management of funds at the school level, although some NGOs run such programmes, nor has the Ugandan MoES ever considered allocation of a grant for this activity

despite the fact that ‘training and retraining of teachers’ is one of the powers retained by the Ugandan central government (Uganda Ministry of Education and Sports, n.d.).

The Uganda example indicates the importance in decentralised systems of accurate data and data management systems at all levels of the education system, but particularly at school level, and the importance of financial management capacity at district and school levels. Without these, funds are inevitably misallocated and misused. Once this happens trust at all levels, but particularly at the school community level, is eroded. It is very difficult for school managers to explain to the community that the school is struggling because funds were misallocated higher up the system, when the community assumes the school has received the funds allocated to it. Community members tend to then blame the head teacher for misappropriating the funds with disastrous consequences for the functionality of schools affected by such accusations.

## **b. Lesotho**

The Free Primary Education (FPE) Programme was introduced in January 2000 (Maqalika-Lerotholi, 2001). Its main goal was to provide the minimum and basic resources and facilities that would enable as many Basotho children as possible to not just enter but to complete the full primary education cycle. In implementing the FPE programme, the Lesotho government made a commitment to assist and provide schools that opted to join the programme with some basic educational materials such as textbooks, classrooms and equipment, midday meals for learners as well as teachers’ salaries. And as enrolments increased, the provision of classrooms and the necessary furniture proved to be integral factors influencing the success of the programme. The Ministry of Education also committed to paying for some other necessary basic school utilities (Maqalika-Lerotholi, 2001).

The government however does not assist any schools that are registered as Private Schools and those that have not opted for the programme. Other items of expenditure that the government does not finance are school uniforms for pupils and the payment of salaries for any other school employees other than teachers. Also since no direct payments would be made to the schools to cover expenditure, other than what the government is committed to paying, schools are still expected to come up with ways of raising funds (Maqalika-Lerotholi, 2001).

In Lesotho, the budget of each education district depends on its size - the number of schools and pupils. The districts are expected to cover running costs of the offices, purchase equipment (computers, furniture, stationery, etc.) and cover operational activities, and in particular to pay caterers. The district education office staff ‘draws its own budget and forwards it to the Ministry headquarters which consolidates the Ministry’s budget and subsequently submits it to the Ministry of Finance and Economic Planning’ (Avenstrup et al, 2004). The national government

reimburses schools directly for book rental fees, stationery, building maintenance and meals, with the money paid directly to the schools. Teachers' salaries, materials and other inputs covered by the government are paid only to schools that agree not to charge fees. Patrinos and Ariasingam (1997) state that, the Lesotho Government also partners with churches in that the government financially supports church schools on the basis of their individual needs. However, if the churches wish to raise fees from parents they must opt out of the FPE; only a few schools can afford to do so.

Schools in Lesotho receive a utility grant from the central level which is about M8 (about US\$1 per child per school year). Schools receive this grant in one tranche, usually in June. Those schools which charge fees do not receive this grant at all. What is expected of the schools is that the principals should use the funds for development and maintenance projects, for example funding could be used to establish a school's gardening project. According to one Senior Education Officer, the important point to note is that, 'the money should be for the benefit of the child' (Lesotho MOE Senqu DEO Monograph, n.d.). Once the fund has been deposited into the school account, the principals have absolute powers and autonomy to use it in line with the school's budget as long as they remain within the stipulated regulations. In essence, the principals are not required to consult with their district education office on the day-to-day utilization of the funds (Lesotho MOE Maliba-Matso DEO Monograph, n.d.). However, even though recently the MOE started depositing the funds into each school's bank account there are no auditing facilities at the school level and so 'there is no format on how schools should report, a practice which is against financial regulations' (Lesotho MOE Phuthiatsana DEO Monograph, n.d.).

Schools in Lesotho also have to account for the funds through financial reports which they submit once a year to the district office. According to one of the Government schools' principals, the financial report covers income and expenditure. The expenditure has to be supported by the receipts from suppliers since further funds are not released until the principal has provided the financial report for the previous year. It seems that the failure on the part of the schools to submit financial reports in time has serious implications particularly for children who are primary beneficiaries. In response to this, the Lesotho's Ministry of Education has developed guidelines for financial management and the DEOs provide training for schools principals (Lesotho MOE Maliba-Matso DEO Monograph, n.d.).

Although in practice the books are not audited, there are regulations on how money should be utilized. Even though there are control mechanisms in place, one of the personnel at the Maliba-Matso DEO expressed concern over the fact that auditing of funds does not seem to be a common feature in that particular district office, 'a discrepancy that is not acceptable in the accounting discipline' (Lesotho MOE Maliba-Matso DEO Monograph, n.d.).

Another challenge regarding school funding in Lesotho, which is expressed by both the senior education officers and Senior Accountants, is that principals lack accounting and financial management skills. The Phuthiatsana DEO (Lesotho MOE Phuthiatsana DEO Monograph, n.d.) was aware of cases where funds were allocated to non-existent students, which indicates that there is a need for close monitoring and establishment of proper accounting systems.

The Lesotho case more than anything else illustrates that if the funds allocated to schools are minimal the impact is going to be minimal and in fact the schools may resist the extra work and responsibility attached to such small amounts of money. The counter argument is that even small amounts of funding assist schools and allow school managers to experience management of funds.

### **c. Ethiopia**

The decentralisation model in Ethiopia is a fairly typical of a federal state. The education system in Ethiopia is made up of the Federal Ministry of Education, Regional Education Offices, Zone (district) Offices, Woreda (circuit) Offices and finally Kebeles (village communities). As stated in Ministry documents:

*'The Federal Ministry of Education is responsible for setting and maintaining national standards and policies. It is also in charge of engaging broad education planning and programming for the development of the education system, determining curriculum for secondary and higher education, establishing higher education institutions and providing technical assistance to regions. Regional Education bureaus formulate regional education policy and strategies. They also administer and manage primary and secondary education, junior colleges, technical and vocational schools and teacher training institutes. They prepare curriculum for primary schools, they administer education radio broadcast centres and provide technical and material support. The Zones and Woreda education offices are responsible for providing and developing education in their localities. The Zone Education office plays the roles of co-ordination and supervision and provides technical and professional assistance to lower levels of the education system. Woredas are responsible for establishing, planning and administering basic education services, including primary schools' (Oumer, 2009, p 25).*

Kebeles are neighbourhoods which are made up of 150- 300 households. Woredas are made up of a number of kebeles (Egziabher, 2010).

There are two types of grants that are used to support education in Ethiopia. The first is the block grant which is assigned to the education sector and is mostly used to pay salaries. The second type of grant which is also relatively new is the 'school grant'. According to the Ministry of

Education's Blue Book, 10 Birr is allocated to each Grade 1-4 learner, 15 Birr (slightly less than a US\$1) per annum is allocated to each grade 5-8 primary school student and 20 Birr (slightly more than US\$1) per annum is allocated for each grade 9-10 learner and 50 Birr is allocated to grade 11-12 learners. As the school grants are a new concept, there are some complaints because the funds are being delayed, rarely is the full amount received for each learner and the fund is seen as inflexible. At times the inaccessibility of some schools and their distance from financial services hinders disbursement. The funds go from MOFED (the Ministry of Finance and Economic Development) through BOFED (the regional offices for finance and economic development) to the WOFEDs (the woreda or community level office for finance and economic development) that are supposed to give them directly to the schools. To ensure economies of scale some woredas are insisting on doing the purchasing for the schools. As the woredas are dominated by farmers this is likely to pose real challenges of competence and corruption, and in addition, where woredas hold onto this power it makes a mockery of the devolution process and intentions. Moreover, there are general obstacles such as the lack of financial skills (email from Laura Garforth, Link Community Development Programme Director, Awassa, 17/12/2010).

One of the strategies that woredas are trying to use is the involvement of women and farmers in decision making when it comes to mobilising resources for the schools (Oumer, 2009). This is important as it involves the community in decision making in regards to education. Therefore decision sharing also occurs at the grassroots level. At regional level, the budgets that are developed are usually printed in local newspapers so that the populace has access to them, while in woredas the budget plans are posted in areas where the public can see them. This is an effort to increase transparency over the expenditure of money. Even though for many literacy and understanding of a budget stands in the way of real comprehension, these actions appear to be symbolically important.

Fee free education was first introduced in Ethiopia in 1994 following the EPLF coming to power, when Ethiopia developed the Education and Training Policy (ETP), which gave advice on education financing. The ETP in conjunction with other documents stated that learners from grades 1 to 10 would be attending school for free but learners in grades 11 and 12 would still be required to pay fees (Oumer, 2009).

The woredas have control over how they spend funds that they receive or raise for education purposes. Similarly, while there is suspicion in national government about local fund raising for schools, it is not controlled and no formal protocol is followed (Oumer, 2009). In the national Education and Training Policy it states that support will be given for educational institutions to raise their own money and use it to improve education (Federal Democratic Republic Government of Ethiopia, 1994). The funding that the government supplies for schools is a combination of national funds and those provided through aid. Although the government has tried to establish universal access to primary school education, especially in rural areas, their efforts have been thwarted by the lack of adequate funding (Perezniето and Jones, 2006).

The above mentioned funding strategies have led to an increase in school enrolment as a result of fee free education, but the quality of education has declined. This was illustrated in the midterm review of the Education Sector Development Plan (ESDP I), and is still relevant in 2011. There is now a shortage of competent teachers and good textbooks and classes are increasing in size, with primary school net enrolment ratios skyrocketed from 35% in 1997-1998 to approximately 57% in 2003 - 2004 (Pereznieto and Jones, 2006) and 71% in 2007 (UNESCO, 2010). Increasing learners in classrooms poses overcrowding risks. Free schooling may encourage more children to go to school but it could also alert families to the fact that their children are less likely to have a successful school career and end up entering the job market (Oumer, 2009). This consideration, combined with opportunity costs related to attending school, would help explain why about 75% of children from the poorest 20% of Ethiopian households still do not attend school (UNESCO, 2010).

An approach that could be used to promote school attendance, particularly of poorer families, is providing money to families for sending their children to school. This might help avoid child labour and ensure that children go to school, The government and donors have provided food or cash to poverty stricken areas. These cash and/or in kind transfers to poor households could be conditional on school attendance and replace income lost from the learners going to school. The priority would be to ensure effective implementation across the whole country (Pereznieto and Jones, 2006).

Before school fees were abolished, the fees were used for construction and maintenance. Now that there is no payment of school fees contributions by families and communities help towards construction and development. Families can contribute by providing basic services such as cleaning and repairs rather than giving cash as many parents are unemployed or earning very little. This cost sharing by parents and communities still exists and if community members wish they may also contribute money for the construction and development fund of the school (Oumer, 2009).

Donor support has helped with paying teachers salaries, one such donor programme is the Protection of Basic Services (PBS), which also gives money to increase the size of the block grants from the federal to the regional level. The money can only be used at the regional level for basic services such as payment of teachers, health and agricultural workers (Oumer, 2009).

Funding supplied by donors is not enough to meet all the needs of education. This has the effect of school funding being spread thin impacting on the number of teachers available and so reducing the individual attention available to learners and overall impacting on the quality of education (Oumer, 2009).

Many NGOs try to alleviate the problems of financing schooling. For example, the Emmanuel Orphans Development Association is a grassroots organization which provides support to orphans and children from poor homes. School fees, books, stationary and uniforms are provided (Miller, 2008).

It was through the Basic Education Strategic Objective (BESO) Program, that USAID was able to assist in Ethiopia's decentralization efforts by involving parents and the community (Winkler and Yeo, 2007). BESO asserts that devolving responsibility, along with funding to schools and the community could be the key to solving some of Ethiopia's education problems.

*“It was found from the BESO program that greater parental and community involvement increased security and enrolment of girls, parents contributed to strategies that improved school quality and parents also tend to monitor that their children go to school”* (Winkler and Yeo 2007: 12).

The Ethiopian Government seems to be committed to devolving school funds and real responsibilities to local communities through the school grant system. However, the inability of the central government to provide all the funding promised, the involvement of woredas in the procurement processes in some regions and the kebeles having an oversight role, makes the grant system ponderous and liable to abuse and creates a danger of erosion of trust across the system.

#### **d. Malawi**

Reform of the financing of the education system in Malawi dates mainly from 2001. One of the key policy changes that was proposed in 2001 was that decentralization would devolve responsibility for primary education from the central Ministry of Education, Science and Technology (MoEST) to the District Assemblies (Malawi Ministry of Education, Science and Technology, 2001). The District Assemblies were also set up so that local people could have a say in governing processes, (District Plan of Blantyre Region, n.d.). These District Assemblies are equivalent to district offices in other countries, funding for schools is directed through the District Assemblies and primary schooling is fee free.

Another policy change proposed in 2001 was that government should gradually give schools greater autonomy and accountability with how the schools finances are to be utilised (Malawi Ministry of Education, Science and Technology, 2001). Primary school funding in Malawi is still fairly centralised with central government providing most of the resources. The World Bank funded a Direct Support to School (DSS) programme which started in 2006 with an initial allocation of \$200 per school to allow the school to source Teaching and Learning Materials (TLM) locally. The DSS programme has now been implemented over 3 years with amounts

increasing to approximately \$500-\$800 per school which includes both a TLM component and a component for basic maintenance and rehabilitation of the school's infrastructure. The maintenance and rehabilitation components were facilitated through additional funding from DfID in 2008-9. The DSS programme as a separate programme has now come to an end and MoEST in Malawi is trying to mainstream direct school funding into the national budget as of the 2009-10 financial year. The vision is for increasing amounts of funding going directly to schools which would be funded on the basis of an approved School Improvement Plan. The Direct School grants were an important component of Malawi's successful bid to the Fast Track Initiative for enhanced funding (\$90m over 3 years) (pers comm, Edward Barnett, expert on school financing in Malawi and PhD student 06/12/2010).

Education decisions are increasingly decentralised in Malawi with the government trying to form partnerships with NGOs and religious organizations. In addition the financial and governance roles that local communities and private sector can play in education are being acknowledged, (Malawi Ministry of Education, Science and Technology, 2001).

Education in Malawi is financed by the government, external donors and households, with donors contributing about 80-90% of the funds in the development budget (World Bank, 2004).

*“Government is reliant on a wide range of donors and organizations, and this makes sector planning, increased efficiency and equitable allocation of resources difficult. First, donor financing of education has been, and remains, volatile. Second, external financing is the primary determinant of the level and composition of non-salary operating expenditures (such as textbooks and teaching-learning materials) and these would normally be financed under the public recurrent budget” (World Bank, 2004:51).*

A World Bank study in 2001 found that almost all households contributed to school supplies with half of them contributing to the schools development fund (World Bank, 2004). In 2011 this was still the case. Although parents of learners do not pay school fees they still contribute financially to the local school's textbooks, school supplies, the school's development fund and more recently to the school's feeding scheme (to purchase foodstuffs and for storage facilities for the food) (Nkhonjera, E. University of Malawi and former project officer in LCD, personal communication 18.2.11). Relying on these household funds only increases uncertainty and instability in terms of materials, repairs and construction at poorer schools. As many of the families are very poor there is not a constant supply of money coming in to sustain these needs (World Bank, 2004). However, ironically the poorest households contribute a larger portion of their salary to education than richer households. As the income of poorer households is often sporadic based on harvests and casual labour their children are often forced to drop out as they cannot afford the user fees that are required on a regular basis (World Bank, 2004).

To some extent, as in the other countries discussed, donor funds make up some of the funding deficits. This became critical as the Free Primary Education Policy and Education for All kicked in and school numbers mushroomed, with a student population of one million in the mid 1990s becoming nearly 3 million in the early 2000s. However, as already mentioned dependency on aid can create problems as the donors often set the education priorities and ownership becomes an issue.

The general lack of funding and poor planning means that schools lack resources such as chalk, chairs and desks (Anzar, Harpring, Cohen and Leu, 2004). The World Bank has been particularly vocal in its criticism of the way that Malawi has expanded its primary schools access, seeing it as poorly planned and funded (World Bank, 2004). In line with its focus on primary schooling at the expense of the rest of the system, the World Bank has particularly focused on the differential spending regime that the Malawi Government has created,

*‘At the primary level, the annual current public expenditure on each student represents a mere 5 percent of annual per capita income, which would undoubtedly need to be raised if quality is to improve. Average expenditure per secondary student is about 21 percent of per capita income and a university student receives about 10 to 15 times the per capita income’ (World Bank, 2004:2).*

Although the government provides per capita grants for each level in the education system, the spending per student varies from students at university level getting US\$2500-3000 p.a. while secondary school pupils are allocated US\$40 and primary US\$10. According to the World Bank (2004), the low per capita grant for primary school learners is one of the main factors that contributes to the high dropout rate in primary school. This is, in fact, the case in all the case study countries. All of them, except South Africa, experience large primary school classes, and high levels of dropout, particularly during Grades 1 – 4. Education in Malawi is plagued by many problems including teacher learner ratios which are very high. In grade 3 the average learner: teacher ratio is 160:1. Both girls and boys drop out in large numbers after completing grade 7 (MoEST, DfID and LCD, 2009).

A form of Direct Support to Schools (DSS) was introduced in 2005 which was aimed at solving some of the barriers in education. This was a deliberate attempt by the donor community to use school funding as a lever to solve challenges in the education system and improve its internal efficiencies and effectiveness. Processes for delivering funds directly to schools were initiated by the MoEST and sponsored by The World Bank in 2005 as part of its Education Sector Support Project (ESSP). The focus for the World Bank’s first phase DSS programme was on school-level procurement of basic teaching and learning materials (MoEST, DfID and LCD, 2009).

The current national DSS to schools, initiated by the MoEST and World Bank, does not give schools and communities much control or decision-making power in the allocation of funds as it is earmarked for teaching and learning materials (TLMs). The funds come through the district assemblies, which disburse them based on school TLM procurement decisions. These decisions are driven by the head teacher and the School Management Committee (SMC) with the ultimate decision advanced to the District Education Manager's (DEM) office. If the DEM finds that the paperwork and procurement processes are in order then he or she releases a requisition for the school (MoEST, DfID and LCD, 2009).

Two more schemes of DSS have been introduced in addition to the national DSS, these two schemes include one in Dowa District funded by USAID and the second, known as the Enhanced Direct Support to Schools (EDSS) in Dedza District, funded by DfID and implemented by Link Community Development (Malawi) and the MoEST. These pilots seek to explore future policy options associated with DSS in Malawi (MoEST, DfID and LCD, 2009).

For the purposes of this literature review, only the EDSS pilot carried out in Dedza province will be discussed. The aim of the pilot is:

*'to design and implement a small-scale project delivering significantly scaled up and discretionary direct support to public primary schools to generate evidence for future policy decisions on DSS'* (Pilot Terms of Reference, DfID as cited in MoEST, DfID and LCD, 2009:7).

This is a pilot funded by DfID with the support and involvement of the Ministry, with the intention of exploring two main hypotheses. These are:

1. That schools have absorptive capacity for increased grants;
2. That school level input into how the grants are to be spent, allowing schools to experiment with various responses to such challenges as large classes in the school reception year (or P1), and low levels of learning, will lead to greater school buy in and innovation.

The EDSS pilot also explored the extent to which scaled up and flexible direct support to primary schools could help solve a number of problems affecting schools including huge class sizes, high levels of dropout in the early years, low levels of literacy at Primary 7 and low levels of parent and community involvement in schools (MoEST, DfID and LCD, 2009). The schools received substantially more money than in the national DSS and were given spending categories such as 'maintenance and school improvement', and 'improving girlchild enrolment and retention', but were not told how to spend the money within each category. This allowed for considerable initiative at school community level. Half the schools in the pilot were able to open

their own bank accounts, while the rest had to use the normal MoEST procurement procedures which rely on the DEM signing off each payment. The schools with their own bank accounts showed a greater sense of ownership and these schools reported that it made getting hold of funds easier, while the DEM reported that it saved the District Education Officers time. Although some schools have their own bank accounts access is still controlled by the DEM's office (MoEST, DfID and LCD, 2009).

*'The DEM's office is of the opinion that it is a more efficient and accountable process for schools to open their own bank accounts. This policy has been adopted for phase 2', (MoEST, DfID and LCD, 2009:31).*

The 2009 (MoEST, DfID and LCD, 2009) review of the innovations showed that the only negative effect of schools undertaking their own independent procurement seemed to be that some suppliers took advantage of the small size of the orders and schools' inexperience in procurement to charge exorbitant prices, particularly for building materials. However, DEM intervention with Dedza suppliers seemed to solve this problem, rather than taking away the competence from schools.

The project review in 2009 (MoEST, DfID and LCD, 2009) found that many of the schools reduced class sizes by employing auxiliary teachers who were community members, interviewed by the community and employed by the community. Just under 50% of those appointed were young women. This is unusual in an occupation where the vast majority of teachers are male, particularly in rural areas. The auxiliary teachers underwent a two week crash course in classroom management and teaching and were linked to an experienced teacher in the school, who was trained and supported to provide mentorship. The head teachers evaluated the work that these teachers did as more effective than the work by their trained teachers, and indicated that the experiment has been successful. As a result of accessing these enthusiastic and relatively cheap teachers, schools reduced their class sizes in the early grades, particularly in Primary 1, and focused more on literacy skills. However it is still too early to tell if this will have a long term impact in these schools on literacy levels and retention.

The focus on girl children included campaigns to get girls in school younger, teach them more intensively in the early grades so that they dropout and repeat less and are literate by the time they reach puberty, as well as providing female auxiliary teacher role models. Again it is too early to see if this pilot has had the desired effect of keeping girls in school longer and ensuring that they can negotiate their way out of early marriage based on gaining literacy skills.

Finally, the DSS pilot in Dedza saw communities reporting that they feel a greater sense of accountability and are more actively involved in improvement and budget plan development for their local school (MoEST, DfID and LCD, 2009). The pilot shows how devolving responsibility

can increase a school's and community's participation in the decision making process and also increase and improve communication between the schools, communities and districts. For the purposes of this literature review it also shows how targeted funding for schools, even in very poor rural communities like those in Dedza District, can be used to enhance certain positive behaviours and modify negative behaviour.

### e. South Africa

South Africa's school decentralisation and funding model is complex. In order to understand the decentralisation model one needs to first understand the school funding model. So, first we look at the funding model and types of schools in South Africa, then the discussion will move onto the decentralisation model and its relationship to school funding.

There was a realisation from in the run up to the 1994 first democratic election by the National Education Policy Investigation (NEPI) as reflected in the ANC's Yellow Book on education policy (African National Congress, 1994) that, due to the legacy of apartheid in the unequal provision of schooling and its resourcing, any funding policy had to take into account the differences between schools. This led to the conclusion that a system-wide, one size fits all approach would be inappropriate. The legacy meant that most schools were seriously under-resourced while about 10%, which formerly served white communities, were very well resourced by national and international standards.

The National Norms and Standards of School Funding, which was promulgated in 1998 in terms of the South African Schools Act (SASA), created the framework for every school in South Africa to be assigned a poverty ranking status, based on a quintile system. Each school's non-personnel government grant was based on which quintile it was assigned. Each quintile included 20% of the nation's public schools, so there were about 5500 schools assigned to each quintile. The lower or poorer the quintile the higher the percentage of budget attached to that category of schools. This was a deliberate pro-poor ranking system to try and redress some of the past inequalities. Schools allocations are meant to cover non-personnel recurrent items, small capital items needed by schools, minor repairs and maintenance of the schools infrastructure, (South African Education Department, 2010) The allocations of funding are as follows:

Quintile Type	Percentage Allocation	Allocation 2011
National Quintile 1	30.0	R901
National Quintile 2	27.5	R826
National Quintile 3	22.5	R675
National Quintile 4	15.0	R451
National Quintile 5	5.0	R155
Overall	100.0	R602
No fee Threshold	R826	

Source: South African Department of Education Circular 16/2010.

The weakness in this funding model, as far as redressing past inequality is concerned, is that it only affected the non-personnel budget. As the personnel budget made up over 90% of the provincial education spending in the 1990s and over 80% during the 2000s, the redistributive impact was necessarily limited (Fiske and Ladd, 2004). In addition, the South African Schools Act (SASA) obliged schools to collect fees from each learner and raise funds outside of their government allocation (South Africa Department of Education, 1996). The formerly white schools and those serving middle class communities were generally able to set higher fees, collect a greater percentage of those fees and raise much greater funds than those in poor communities. So the funding formula had little impact on closing the gap between rich and poor schools (South Africa Department of Education 2003; 2004). In the mid 2000s this ranking system, which was clearly failing in its primary aim of having a redistributive impact on schools, was modified with the introduction of 'no-fee' schools. This was in response to a longstanding ANC commitment to making schooling free and to the realisation that, while the fiscus had funds available, the quintile system was not closing the gap between historically privileged and under-privileged schools. Therefore quintile 1 and 2 schools were made 'no fee schools' in 2007. This was expanded province by province to quintile 3 schools (Create, 2009).

Cutting across the quintile status of the school is a critical element of the decentralisation model in South Africa: the sectional status of the school. Every school in South Africa is categorised in terms of the South African Schools Act as a Section 20 or 21 School (South Africa Department of Education, 1996). In terms of funding, a Section 20 school is provided with a paper budget. It should know what its allocation is, but the provincial department manages its payments. Therefore, the school has limited decision making powers in terms of the use of funding they receive from government. If Section 20 Schools raise money through fund raising initiatives, the school may use that money for whatever they need. However, this is prescribed for both fee and no-fee schools and school governing bodies (SGBs) have a responsibility to raise funds for the school (South Africa Department of Basic Education, 2010). Section 20 Schools can be no-fee or fee charging schools depending on the school's location and available skills and financial situation – however most are no-fee paying as there is a high rate of convergence between schools serving poor communities, low quintile status and Section 20 status. This means that their ability to raise funds is severely circumscribed, so that most of the funds allocated to each school are effectively managed by the provincial department.

In the event that a learner's parents cannot pay fees at a fee paying school because their combined income is below a set threshold, as a percentage of the fees of the local school, the parents can claim total or partial exemption from paying fees. This is laid down in the South African Schools Act (Act 84 of 1996), but as schools are not compensated for the loss of income many principals try and block applications for exemptions, and the facility is still seriously

under-utilised, as reported by the Ministerial Review on School Governance (South Africa Department of Education, 2004). The situation has improved a little since then.

Schools are granted section 21 status by the provincial education department if they are considered competent enough to deal with funds that will be provided directly to the school in terms of the Section 21 of the SASA. In theory, if the school is found to be failing in its fiduciary management, its Section 21 status can be revoked in terms of SASA. A Section 21 School is allocated a certain amount of money for its needs, which is transferred to the school's bank account. The Section 21 schools then use the funds to pay their bills, and for their maintenance, stationary and textbook requirements. These schools can enter into contracts with suppliers and, as long as they follow broad public sector finance management rules, procure services. Their accounts must be audited annually by a registered auditor. Most Section 21 Schools being in quintile 4 and 5 are fee paying still. This means that they can use their facilities to raise further funds as well as increase their fees as long as the Annual General Meeting of parents approves any increase proposed by the School Governing Body.

These different funding models can have a significant impact on individual schools, both negative and positive. The most contentious issue has been the allocation of quintiles. There is considerable evidence that many schools were wrongly allocated (South African Department of Education, 2004). For instance, Duncan Village School is established in an informal settlement in Eastern Cape but has been placed in quintile 4. The principal thinks that the school might have been placed in this quintile because it is located near a middle class suburb (Ngwenya, Gullapalli and Veriava, 2006). Such mistakes are rarely rectified (South African Department of Education, 2004) and this means that schools have to survive under immense financial pressure. This is an example of decentralisation of powers and funds being implemented from the centre with little or no local involvement or appeal process.

The no-fee policy, although being beneficial to schools in poverty stricken areas, can sometimes create new problems. There are some schools that have been declared no fee schools and yet another school in the same community is in a different quintile so still has to charge fees. This situation has been shown to create problems, as children tend to migrate from the fee paying school to the no-fee school, leaving the fee paying school bereft of funds, and so vulnerable to loss of teachers and closure, while the no fee school is overcrowded and unable to meet all learners' needs adequately (Create, 2009; Ngwenya et al, 2006,). This situation is exacerbated by the lack of a national testing process (until 2011) in primary schools. This makes it hard for parents and learners to differentiate the performance of different schools in the same area. Hence the tendency seems to be to migrate to the fee-free school. With secondary schools indications are that performance is important and learners will move schools based on performance as was observed before the no-fee policy came into play (Prew, 2003).

To work effectively, such a complex funding system as just described, requires strong training and support structures. While training has been available for school managers and school governors on financial management, this has tended to focus more on generic financial management skills and less on the specifics of the quintile system, how to ensure that all funds due to the school reach the school and how to procure services effectively. This has meant that school managers have reported consistently that they are not fully prepared for managing the funds that reach their school through the devolution of funding (South African Department of Education, 2004a).

The reasons for the decentralising of funds to schools and the no fee policy are primarily about empowering schools and their communities, transferring some costs to school communities and attempting to effect levels of redress between formerly disadvantaged and advantaged schools. The intention, as stated in official documentation, was never about improving learner results.

## **5. Conclusion**

The first important conclusion drawn from this literature review is that there is very little if any evidence from sub-Saharan Africa relating the way schools are financed to their learning outcomes. Where studies relating funding models to learning outcomes have been undertaken (e.g. in Ghana and South Africa), they have been almost exclusively focused on comparing the costs of private schools to public schools and then showing that private schools are generally more cost effective and internally efficient than state schools (Centre for Development and Enterprise, 2010). As these studies are generally financed by advocates of private education (such as the Independent Schools Association of South Africa), their sampling and conclusions are open to criticism.

This information on private schooling, however faulted, is not replicated with comparative evidence from the public sector, comparing the learning outcomes of schools with real devolved financial powers against those without such powers. This is an area that needs research. Eventually the EDSS study in Malawi should provide us with some evidence, as long as the research aspect of the project is sustained.

However, the five country studies included in this review show some clear commonalities. These are:

1. All five countries have seen structured and deliberate attempts, supported by legislation, to devolve responsibility for education provision and financing to school and local community levels.

2. All five countries have combined a tendency towards decentralisation with one of making primary schooling fee-free. However, it is very clear that as was found in South Africa (South Africa Department of Education, 2003) that fees are a small amount of the costs borne by parents and communities in sending children to school. This means that making schools fee-free only deals with part of the real costs of attending school.
3. In four of the five countries (excluding South Africa, which already had close to 100% primary school enrolment) the attempt to provide full access to free primary education has led to massive increases in children accessing schools. However this has created over-crowded classrooms and schools where teachers are stressed, where student: teacher ratios are very high and where standards of teaching, and rates of literacy and learner retention, are falling.
4. It is against this background that schools are increasingly receiving direct funding. The literature shows that this policy is usually driven by donors who argue that local financing of education will increase its relevance and efficiency. Logically, those governments which are more dependent on aid and donor loan support to the education budget (such as Uganda, Lesotho and Malawi) will not be in a strong position to resist such policy pressure.
5. The situation is complicated by the tardiness of most governments in agreeing to devolve real financial powers to schools. This is either through restrictions placed on how funds can be spent (as in Malawi) or by only devolving non-personnel funds. So in South Africa, where most schools have control over their development funding and where all schools have bank accounts, over 80% of the funds allocated to schools never reach the schools as they are used at provincial level to pay salaries.
6. Alongside the devolution of funds to schools the literature shows that there has been a necessary growth of systems and bodies enforcing financial accountability at school level. The need for this is undeniable. The Uganda case in the 1990s where up to 80% of earmarked school funding was going missing illustrates this.
7. All five countries indicate that a critical problem related to devolving funds to schools is the limited capacity of most schools to manage funds effectively, and there was a depressing lack of training on school financial management available for school managers in most of the countries. This is particularly worrying when large amounts of funds are sent to schools, and when school head-teachers are held accountable for their management.
8. The literature is not clear on whether devolving financial responsibility creates a cheaper system, saves funds and directs funds to where they can be used most effectively and efficiently. It is possible that the opposite may occur. This needs further research.
9. The cases all indicate the importance of robust Management Information Systems populated with accurate data. Without accurate data funds can be misspent on ghost teachers and students, schools get different amounts of funding which lack logic and overall wastage becomes endemic.

10. Overall the education district offices stand accused of not providing enough support and guidance in managing funds. However, it should be noted that district offices are themselves often marginalised in the decision to devolve real powers to schools and this often, as in South Africa, leaves the schools with more financial rights than the districts, which in some countries (including South Africa) cannot even open a bank account.
11. Finally, and in summary, each of the countries seems to be making an effort to devolve real financial powers to schools and districts, but in all cases the main beneficiaries of this policy are the schools serving middle class communities as these are staffed by teachers and managers with stronger financial skills, the school financial systems are usually better, the schools managers have the social capital and cultural background to fight for the money due to them when it arrives late or is not the amount expected, and they are generally more confident as institutions. This, along with a number of the other conclusions, means that poor schools lose out generally, even where there is an attempt to ensure that they benefit. The only scheme that did seem to be making a real difference in highly marginalised schools was the EDSS in Malawi. It will be interesting to see if that pilot is mainstreamed.

As this review is meant to assist in guiding the research project into how schools are funded, how the school communities engage with direct school funding, and whether direct school funding has a positive impact on student learning, it is behoven on this study to recommend what the research should look at and the questions it should ask. Some thoughts in this regard are presented below:

- The review indicates the dearth of literature in Sub-Sahara Africa relating school funding models to student performance. While this is not an easy linear relationship to establish it is important if we are to understand the impact of different funding models. It could be argued that if the devolution of funding to schools has no impact, or a negative impact, on student learning, then it has failed, as student learning must be the main priority of all schools.
- Any research needs to examine closely what the reality is at school level. It is clear that while policy assumes direct funding to schools in a number of countries, the reality is more complex, and often leaves the schools with limited direct funding.
- It is important to look at direct funding of schools critically. While in some schools and districts it has clearly improved the schools, in others there is often evidence that in fact it has created new problems, particularly in schools which are the least robust. These need to be identified and explored.
- It is clear that with direct school funding accountability measures are a major issue. Therefore, any research will need to explore what measures exist, how they are implemented, whose agenda they support and how the data coming from accountability processes is used and by whom.

- There is some literature which critiques the readiness of principals to manage funds and spend them wisely so that the school community feels part of the process. This needs to be looked at in the study.

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