

Executive summary

This report constitutes the first in a series of thematic comparative reports bringing together the findings of the *OECD Review of Policies to Improve the Effectiveness of Resource Use in Schools (School Resources Review)*. It provides analysis and policy options to assist governments in achieving their education policy objectives through the efficient and equitable use of financial resources. Following an introductory chapter explaining the importance of school funding policies, the report's remaining chapters focus on the following thematic areas:

- How responsibilities for raising and spending school funds can be effectively organised in increasingly complex education systems.
- How mechanisms for the distribution of funding to schools can be designed to efficiently support student learning, equity and related policy objectives.
- How planning procedures can inform the preparation of education budgets to ensure their long-term sustainability and alignment with policy priorities.
- How the effective use of school funding can be enhanced through monitoring, evaluation and reporting practices.

Chapter 1, *Why Look at School Funding Policies?*, sets the context for this report. It outlines the importance of school funding policies, describes major contextual developments that shape the funding of school education and explains the terms and concepts used throughout the report. Well-designed school funding policies are crucial to achieve quality, equity and efficiency objectives in school education. While the overall level of school funding matters, the strategies used to allocate it are at least as important. As countries seek to enhance the performance of all students while also providing more equitable learning opportunities for different groups, there has been greater focus on ensuring that resources are directed to the areas where improvements in teaching and learning outcomes can best be achieved. Developing an equitable distribution of school funding requires countries to take into account both horizontal equity (allocating similar levels of resources to similar types of provision) and vertical equity (allocating different levels of resources to student groups with different needs). It is also important to recognise that the pursuit of efficiency and equity can go hand in hand when it comes to the allocation of resources. Ensuring that students with different needs and from different backgrounds have access to high quality education from an early age, for example, can be an effective means to reduce systemic inefficiencies.

Chapter 2, *Governing School Funding*, describes the different bodies involved in raising, managing and allocating school funds across OECD review countries and analyses how the relationships between these bodies are organised. As school systems have become more complex and characterised by multi-level governance, a growing set of actors including different levels of the school administration, schools themselves and private providers are

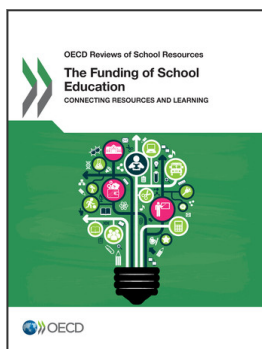
involved in school funding. While on average across OECD countries, central governments continue to provide the majority of financial resources for schools, the responsibility for spending these funds is shared among an increasingly wide range of actors. In many countries, the governance of school funding is characterised by increasing fiscal decentralisation, considerable responsibility of schools over budgetary matters and growing public funding of private school providers. These developments generate new opportunities and challenges for school funding policies and need to be accompanied by adequate institutional arrangements. To support effective school funding and avoid adverse effects on equity in changing governance contexts, the chapter recommends that reforms should seek to: ensure that roles and responsibilities in decentralised funding systems are well aligned; provide the necessary conditions for effective budget management at the school level; and develop adequate regulatory frameworks for the public funding of private providers.

Chapter 3, *Distributing School Funding*, presents an overview of how OECD review countries distribute school funding between different levels of administration and to individual schools, focussing on the design of effective allocation mechanisms for the funding of both current and capital expenditure. The chapter discusses fundamental questions that need to be addressed when designing a funding allocation model. It finds that well-designed funding formulas are a particularly effective means to distribute funding for current expenditure in a transparent and efficient way. By including weights to distribute additional funds to particular categories, funding formulas can also play a critical role in aligning the distribution of resources with educational priorities such as promoting greater equity. Regardless of the allocation mechanism, the method used to identify differential resource needs should be subject to periodical reviews and based on national research, reliable data and transparent criteria. The chapter recommends that governments: ensure a stable and publicly known system to allocate public funding to schools; follow a set of guiding principles when designing funding formulas to distribute resources; and seek efficient ways to support the achievement of equity objectives through school funding mechanisms.

Chapter 4, *Planning the Use of School Funding*, examines the practices and procedures involved in planning the use of school funding in OECD review countries. It analyses how effective planning and budgeting can contribute to greater resource efficiency and the alignment of spending with policy objectives. The preparation of education budgets is increasingly embedded in multi-annual planning processes, which can assist spending authorities in making informed and sustainable budgeting choices and which provide them with additional security when engaging in longer-term investments. However, the chapter finds that multi-annual expenditure plans are not always sufficiently linked to strategic targets and priorities. From the central to the school level, the planning of education resources should be informed by research and evaluation results as well as strategic objectives to guide the planning process and employ resources as effectively and equitably as possible. Increasing the capacity to mobilise evaluation, monitoring and research results during the budget planning process is therefore central to promoting effective spending on education. The planning of education budgets should also be flexible enough to respond to new priorities and unforeseen circumstances as well as providing incentives for efficiency, for example through the transparent regulation of carry-over rights for unspent resources.

Chapter 5, *Evaluating the Use of School Funding*, analyses how the evaluation and monitoring of school funding can serve to hold decision makers accountable, make the use of resources transparent and ensure that available resources are used efficiently and equitably. Practices to evaluate the use of school funding include accounting, financial

reporting, internal management and control, external audits and individual performance management. The effectiveness of these activities depends on reliable data and information management as well as adequate indicator frameworks and benchmarking systems. Rather than focussing on compliance alone, systems should also develop capacity to relate inputs to associated educational processes and outcomes while bearing in mind the challenges involved in evaluating efficiency and outcomes in the area of education. Policies and programmes should be subject to impact evaluations and their results should be used to inform strategic budget planning processes. Another concern in increasingly complex governance systems is to ensure adequate accountability and transparency and to balance accountability with trust. Particularly at the local and school level, measures to provide information about the use of funding should be accompanied by steps to mitigate the administrative burden this entails. Complementing the vertical accountability generated through reporting and evaluation with horizontal and bottom-up forms of accountability through stakeholder involvement can be a successful strategy to address this challenge. The chapter also highlights the need to make inequities in the use of resources transparent and to monitor how they affect the educational outcomes of disadvantaged students.



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