

The Costs of Recovery: Are User Fees the Answer?

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The purpose of this article is to provide an update of recent trends in resource provision for education in developing countries, to explore the recurrent budget problem in relation to a specific case study and to discuss the implications of cost recovery associated with the charging of user fees. The evidence on levels of recurrent support for school systems indicates a deteriorating profile especially amongst the poorest countries. Real expenditure per child is falling in many and expenditure on educational materials is often at or below levels that are necessary to complement human resource inputs. An important current orthodoxy is that this situation can be ameliorated through various cost recovery schemes. Amongst the most widely discussed of these is the introduction or increase of user fees. Recent trends are analysed using the UNESCO data base. The problems involved in supporting school recurrent expenditure are explored with reference to recent field work in Sri Lanka. User fees are discussed in the light of the insights that emerge. Concluding remarks emphasise the importance of a balanced response to austerity that values the educational participation of the most vulnerable sectors of the population.

1. Trends

The recent World Bank report on education policy in sub-Saharan Africa has summarised the financial problems which confront many education systems thus:

The advances since the early 1960s are now seriously threatened — in part by circumstances outside the control of education. Africa's explosive population growth greatly increases the number of children seeking access to schools and the number of potential illiterates . . . If the growth of educational places is to keep up with the growth of the school age population, more schools, teachers, books and other inputs are required each year. This requirement comes at a time when the recent economic decline has necessitated significant cutbacks in public spending. Public spending on education in Africa has not been spared, declining from \$10 bn in 1980 to \$8.9 bn in 1983 [World Bank 1988:x].

Many studies over the last decade have drawn attention to the deteriorating economic status of the

poorest developing countries which, along with changes in macroeconomic policy and the deepening of the debt crisis, have led to increased pressure to reduce public sector expenditure. Several of these studies have charted the impact of recessionary pressures on educational budgets [Lewin 1987; UNICEF 1987; World Bank 1980, 1981, 1988; UNESCO 1985; Eicher 1984; Coombs 1985; Jolly and Cornia 1984; Lewin, Little and Colclough 1982]. From these studies the picture that emerges is one where in many countries:

- GDP per capita has decreased since 1980;
- public expenditure per capita has levelled off or declined;
- private consumption per capita has decreased;
- debt servicing has claimed a larger share of export earnings;
- the proportion of national budgets allocated to education has declined more often than it has increased;
- unit costs have fallen;
- average length of study to produce a primary school graduate has increased; and
- salary elements of recurrent expenditure have increased whilst non-salary recurrent spending has been reduced.

In this first section of this article we update some key economic and educational indicators to indicate whether the trends described above are continuing. The data we have used are the most recent available to the UNESCO Office of Statistics and/or appear in the statistical publications of the IMF and the World Bank. Our data are derived from 107 countries, 41 of which are classified as least developed, the other 66 being other developing countries for which data are available. The period chosen for this analysis is from 1980 to the most recently available data. Educational indicators apply to primary education only.

Economic indicators for the group of countries chosen show disturbing trends:

- GDP per capita has fallen in 54 per cent of the least developed countries and 64 per cent of the other developing countries;
- public expenditure per capita has fallen in 58 per cent of the least developed countries and in 67 per

cent of the other developing countries;

— private consumption per capita has decreased in 81 per cent of the least developed countries and in 64 per cent of the other developing countries;

— debt service has increased to claim a greater share of export earnings in 87 per cent of the least developed countries and in 84 per cent in the middle income countries.

Taken together these trends create a climate for educational investment that has become less favourable. They restrict public expenditure, of which education budgets are often one of the largest components, and limit disposable income from which costs might be partially recovered.

The proportion of the national budget that is allocated to education in developing countries has not changed in a simple way. In the least developed countries 61 per cent have increased the share of the national budget for education. In the middle income countries only 37 per cent have increased the allocation as a proportion of the total. Bearing in mind the overall tendency to reduce public expenditure, these increases in many cases have not been sufficient to compensate for the effects of shrinkage in the budget as a whole. In a study using earlier data, educational spending was reduced more frequently than that in other sectors during the period 1972-82 in developing countries as a whole [Lewin 1987:56] indicating that earlier trends are continuing and that educational expenditure may be especially exposed. The reductions appear to have fallen most heavily on the capital components of budgets, as might be expected. As yet there have been no convincing longitudinal studies that would show whether the high salary component of educational spending limits the vulnerability of the sector in the medium term, as some have suggested [Hicks and Kubisch 1984] and others have contested [Cornia 1984:218, Lewin 1987:57].

Perhaps more alarming is the finding that in 57 per cent of the least developed group recurrent expenditures per primary school child at constant prices have deteriorated between 1980 and 1985 (see Diagram 1). Between 1970 and 1983 recurrent expenditure per child at the primary level fell from \$67 to \$48 in constant dollars in the median African country. This compared to well over \$2,000 per child in industrialised countries [Habte 1988:3-5]. In middle income countries, unit expenditures have declined even more frequently — in 75 per cent of cases in Africa, 50 per cent of those in Latin America and the Caribbean and in 57 per cent of those in Asia (see Diagram 2). Enrolment growth in most of these countries has been strong, and has exceeded the rate at which resources have been increased. This has been the main reason for reductions in unit costs.

Recurrent costs per primary school teacher at constant

prices also show a deteriorating picture. In 67 per cent of the least developed countries these have fallen, as they have in 62 per cent of other developing countries (see Diagrams 3 and 4). The reasons for this vary. In several, salary levels have remained constant whilst inflation has reduced their value; in some, greater proportions of young and untrained teachers have been recruited; and in others enrolment growth has outstripped teacher supply leading to larger class sizes. In the poorest countries these can produce pupil:teacher ratios in excess of 100:1 in rural primary schools.

The average length of study needed to produce a primary school graduate is an indicator of internal efficiency, since it incorporates data on drop-outs and repetition. This indicator has deteriorated in 48 per cent of the least developed countries and improved in only 33 per cent (see Diagram 5). In the other African developing countries in the sample only 27 per cent have improved their performance on this indicator, whilst the majority of countries in other regions have seen small increases.

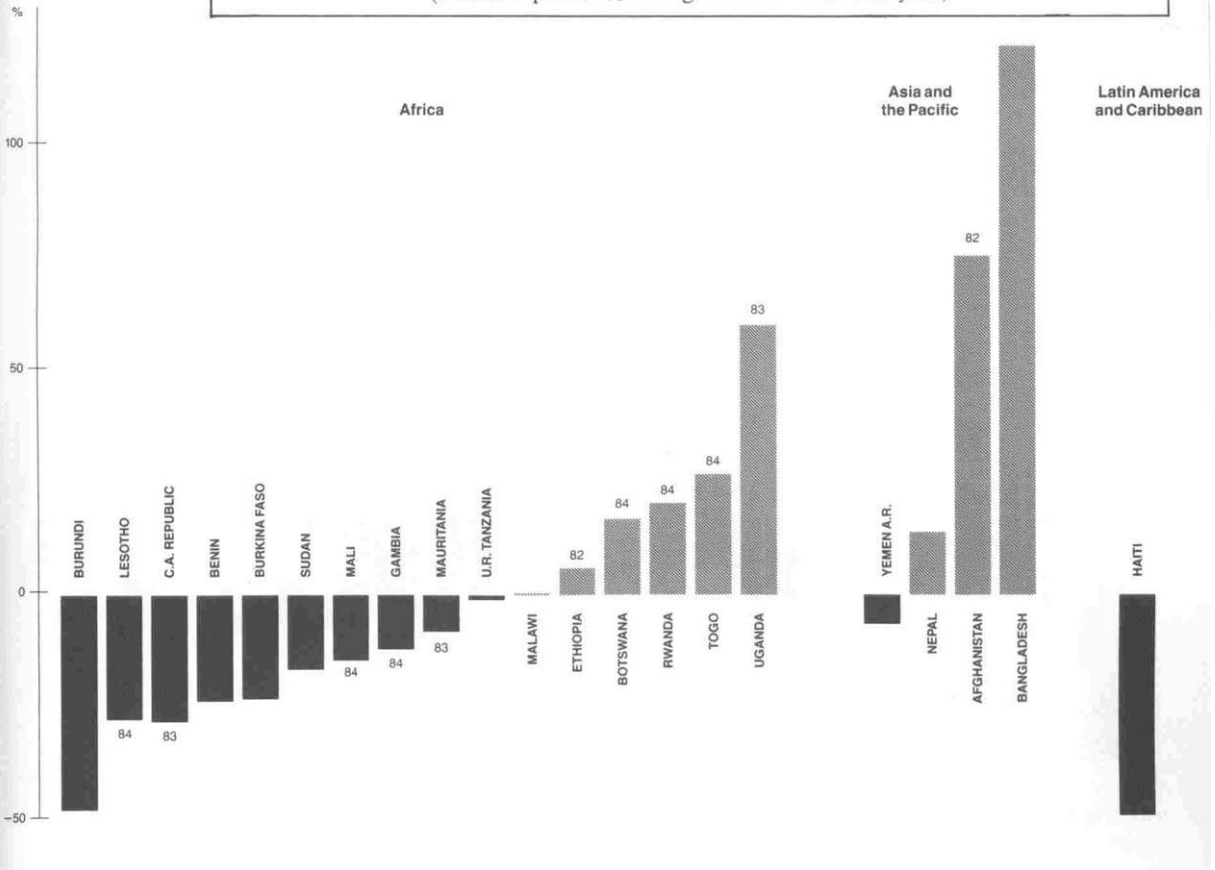
Non-salary recurrent expenditure is the last indicator that we have chosen. The evidence on this over two periods, 1975-80 and 1980-83, is that recurrent expenditure as a proportion of total expenditure on education tended to increase more frequently than it decreased. The increases were concentrated in emoluments, with expenditure on materials increasing in only a small number of cases (see Diagram 6). This imbalance was particularly acute in African countries [Lewin 1987:61]. This, it should be remembered, is in a situation where the absolute levels of such expenditure are very low. The median African country spends under one per cent of the recurrent primary school budget on materials amounting to less than \$0.60 per child per year. Richer countries are not very much more generous — the Philippines and China spend about \$3.00 per child per year [Habte 1988:5].

These changes in the resources allocated to education systems in developing countries have occurred over a period when, in more than three quarters of these countries, enrolments have continued to grow. However, in 25-30 per cent of the countries analysed the number of new entrants was beginning to fall, suggesting a saturation of capacity and/or a diminution of demand. Enrolment ratios grew in the majority of least developed countries (58 per cent) but stagnated or declined in most other regions, partly because they had already reached high levels.

From the new data presented here it is clear that the problems created for educational provision by austerity are, if anything, becoming more severe in the poorest countries. A major consequence of this, given the intractability of the macroeconomic system in providing opportunities for the poorest countries to improve their growth rates and therefore maintain

Diagram 1

Least Developed Countries: Post-1980 Trends in Recurrent Expenditures per Primary Student
(constant prices: % change to latest available year)



levels of public expenditure, has been the search for forms of cost recovery that could supplement — if not replace — depleted Treasury funding. The options available to educational policy-makers confronting austerity have been described elsewhere [Lewin 1986, 1987, World Bank 1988]. Our concern here is to explore alternatives that are designed to improve the flow of recurrent funding to schools. It is action on this that has the potential to influence what we regard as the most critical short-term difficulty — that of maintaining systems under stress where the core problem is to keep them working at minimum levels of efficiency. In many systems collapse is not a distant prospect but an everyday reality. Basic conditions are not being met — absenteeism of staff and students is high, teaching conditions are grossly impoverished, the simplest learning materials are not reliably available, achievement levels are low and the prospects for improvement are not encouraging.

It would be facile to cast the difficulties as purely financial problems, since they are much wider in

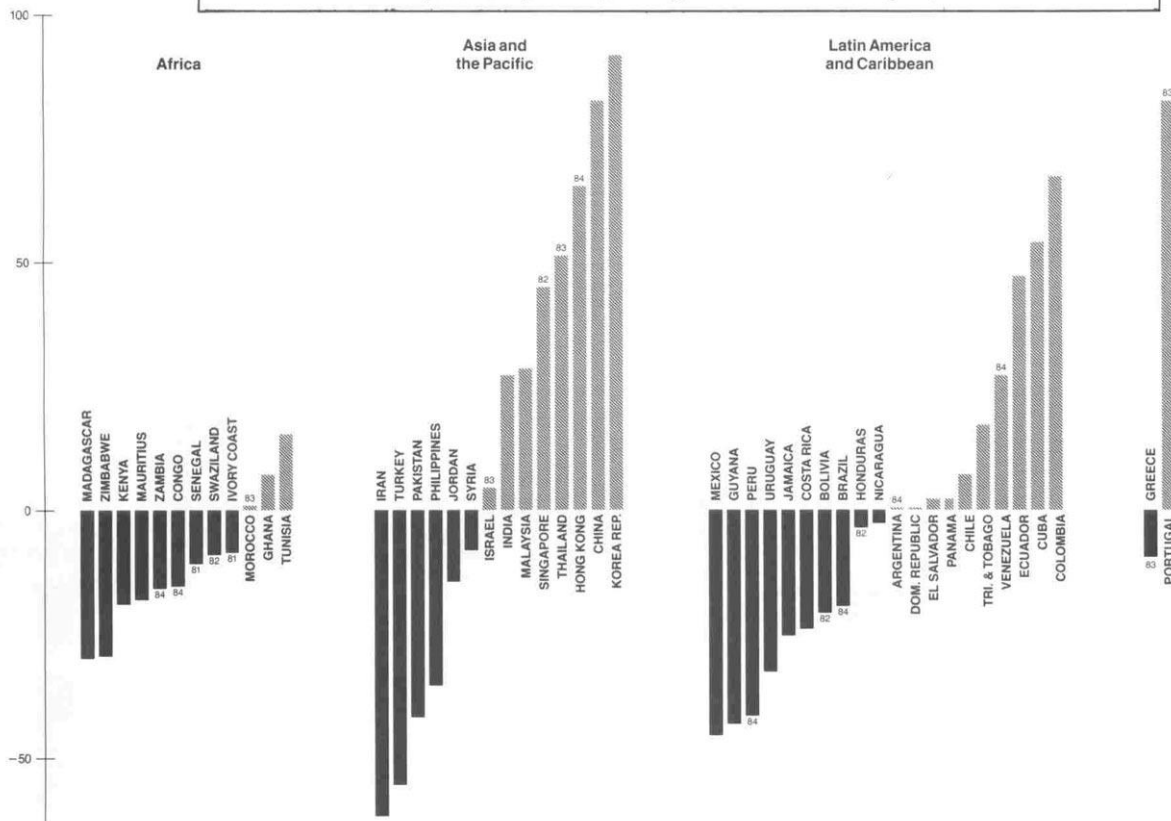
scope. Nevertheless we argue here that a key point of leverage on school quality and system maintenance, where large gains can be achieved at low cost, lies precisely in maintaining adequate recurrent support, especially in the non-salary area. We have chosen to focus on this and its financial aspects, rather than salary spending as a whole or non-monetary contributions, since much of the literature neglects this area [see Colclough, Lewin and Oxenham 1985 for the general case in relation to maintaining support for recurrent expenditure]. We have taken the recent experience of one country, Sri Lanka, as an illustrative case study, and it is to this that we now turn.

2. Non-Salary Recurrent Costs in Sri Lanka

Research in Sri Lanka involving detailed discussion with policy-makers, regional and district administrators and school principals, and analysis of financial data, produced the following diagnosis of the non-salary recurrent expenditure problem.

Diagram 2

Other Developing Countries: Post-1980 Trends in Recurrent Expenditures per Primary Student
(constant prices: % change to latest available year)



— Financial allocations from the National and Provincial governments cannot keep pace with anticipated future demand. Salary recurrent expenditure has increased as a proportion of total recurrent expenditure in recent years as a result of pay awards. This has reduced the non-salary finance available from the state. New curricula have placed additional demands on schools. These require greater resources, not all of which can be provided centrally. Community contributions to support educational activity have a long tradition in Sri Lanka. Their importance is likely to increase if national and provincial resources do not grow as fast as demand, and if the budget continues to shift towards salaries. It is not clear how best to encourage the growth of non-government spending.

— Present policy on non-salary spending is an *ad hoc* accumulation of decisions over 30 years. It is thought by some to be outdated, inflexible, and cumbersome. It is also believed that allocation

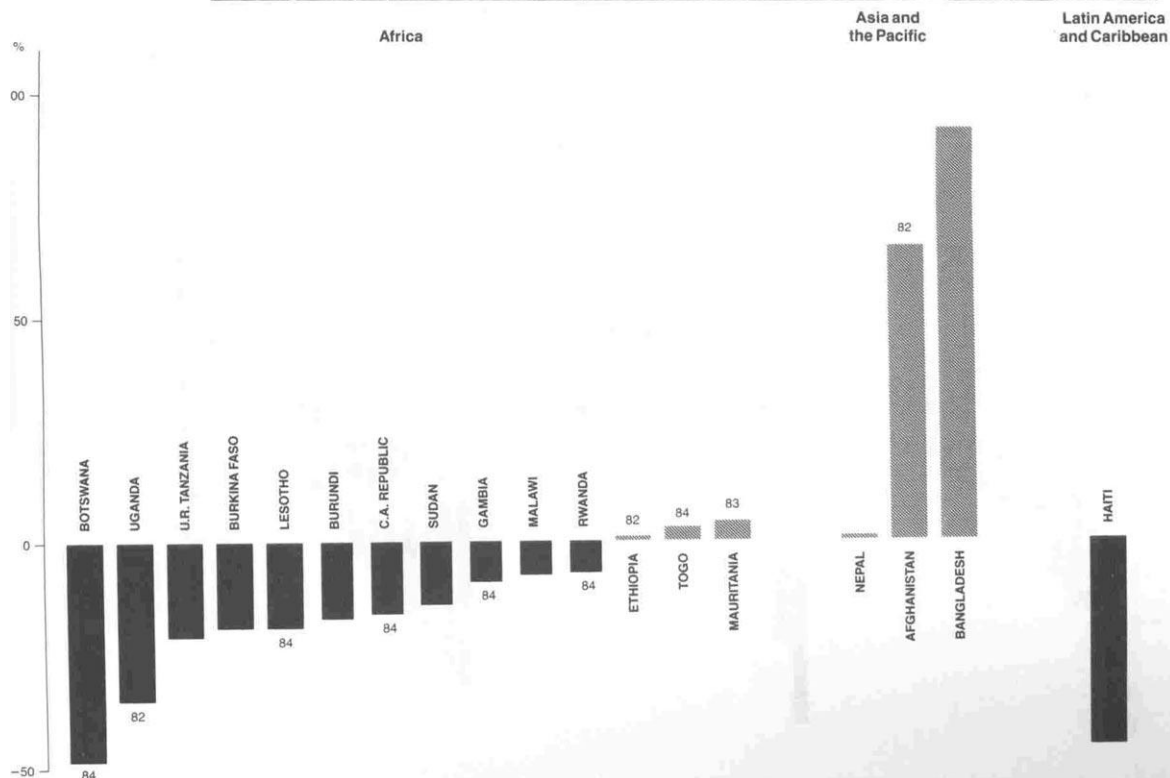
procedures are not widely understood. Consolidation, updating, simplification and more procedural flexibility to make the systems responsive to contemporary conditions are therefore overdue.

— The introduction of Provincial Councils and changes in administrative arrangements at Divisional level (including the extension of school clusters and zones as the basic administrative unit) will change the relationship between schools and the agencies that provide them with resources. It is not clear how best to ensure that Provincial administrators improve the non-salary recurrent support available to schools.

— Current utilisation of school development resources is thought to be sub-optimal. Some are under-spent; it is suspected that others are not used to greatest effect for reasons of lack of awareness, procedural complexities, and weak managerial expertise. School principals' roles have changed to

Diagram 3

**Least Developed Countries: Post-1980 Trends in
Recurrent Expenditures per Primary Teacher**
(constant prices: % change to latest available year)



incorporate a substantial element of management of resources. They are unable to exercise the responsibilities for this effectively without coherent policy guidelines that reflect their changed status and the changed conditions of the education system.

— Facilities fees, school development society contributions and past pupils' associations contributed an average of 2.9 per cent of recurrent expenditure in 1984 [Ariyadasa, Wijeratne and Gunaratne 1986]. 1987 data from the school census suggest that few schools exceed one per cent, and that the great majority are below this level. It is important to get a sense of what the possibilities are for increasing these contributions, and to establish opportunities for making better use of recurrent expenditure that is not absorbed in teachers' salaries.

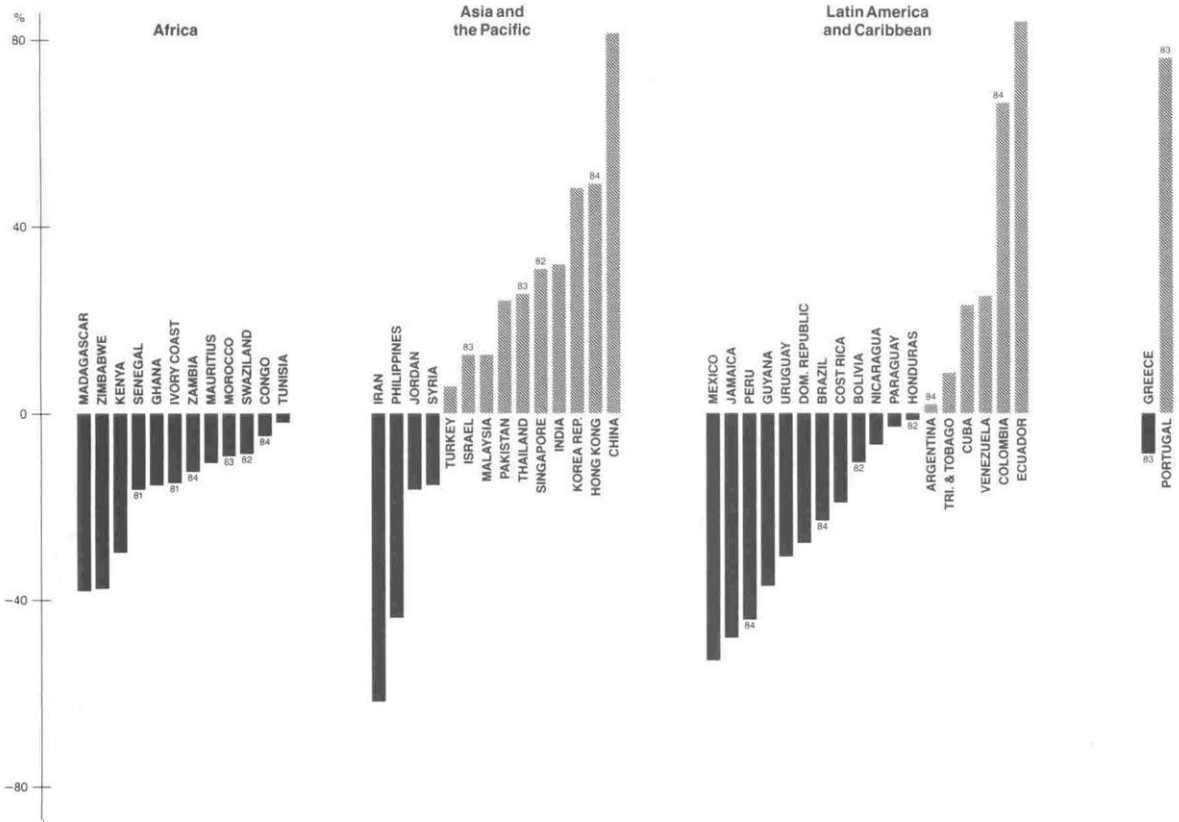
— There is concern that resources available for school development activities vary widely from school to school, district to district, and from year to year. There is circumstantial evidence that in the absence of policy designed to limit inequalities,

these may grow from their current unsatisfactory levels. Policy instruments to monitor and reduce existing inequalities are needed.

In brief, the recurrent budget positions of the majority of schools in Sri Lanka is parlous. Most primary schools have a nominal budget of the order of a few hundred rupees or less. Secondary schools fare little better, though they are entitled to small capitation grants related mostly to subjects with a practical component, e.g. science, life skills. In principle, salary costs are met from the central budget and most non-salary costs — maintenance, equipment and furniture, utilities — are met through central and regional distribution programmes. The free textbook programme is a successful example of this, and it ensures the widespread availability of basic class texts. Beyond this, however, the system is widely unable to supply the needs of schools. Lengthy delays are common, many schools have large, undivided classrooms with insufficient furniture, basic services are frequently requested but often not available, and consumable material is a very scarce commodity since it usually has to be provided from teachers' pockets or from school funds.

Diagram 4

Other Developing Countries: Post-1980 Trends in Recurrent Expenditures per Primary Teacher (constant prices: % change to latest available year)



Schools are being encouraged to explore methods of raising funds from the community to supplement their generally meagre budgets, and it is illuminating to examine the patterns that this generates. There are three recognised mechanisms for generating money from the communities around schools (non-money inputs can also be significant, but are outside the scope of this article — see BRIDGES 1988 for a study of these). Facilities fees are levied in all schools, up to a statutory maximum which is graded into three bands for primary, secondary, and 'A' level grades, varying between three and five rupees per month per student. The maximum is generally not exceeded, though there are examples of schools which collect more. Payment of the facilities fees is voluntary; exemption can be obtained on the basis of inadequate means through an official procedure. These fees are collected monthly. School development societies are empowered to collect funds from the community as a whole, and can accept donations of any size from anyone. They usually levy small membership fees annually (two to five rupees) and may organise special fund-raising

events. Old boys' and old girls' associations are the third source of financial support, they tend to be associated only with old established schools that serve relatively wealthy communities.

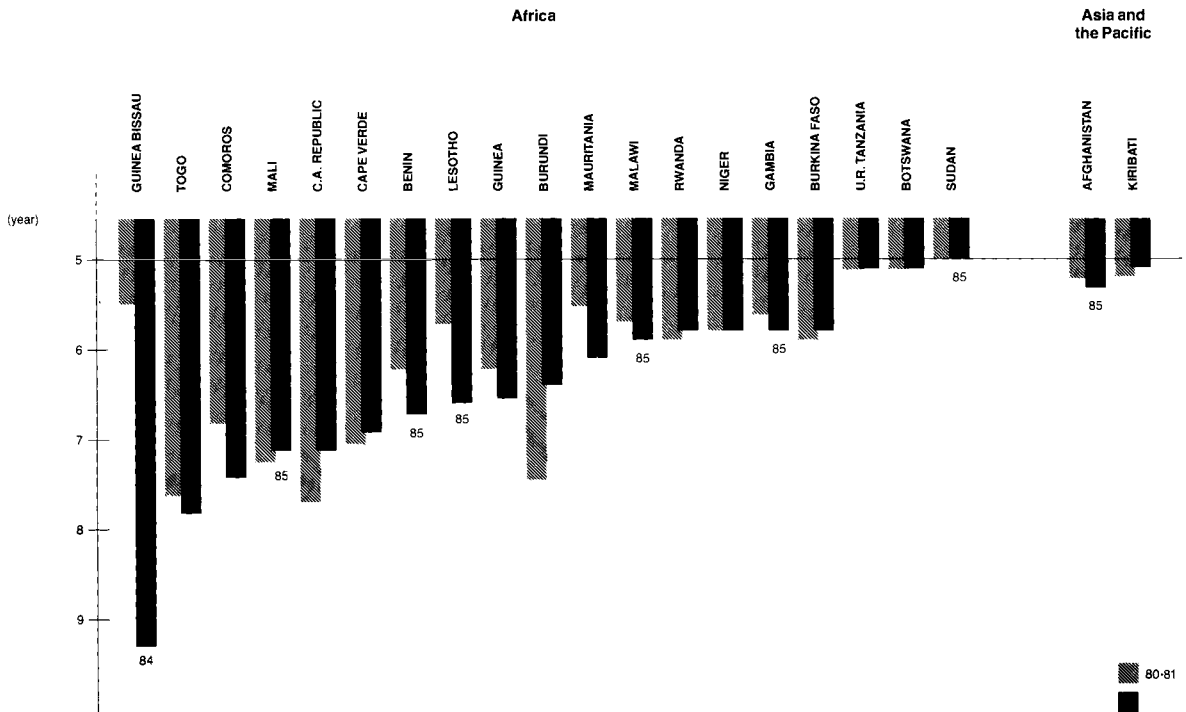
A preliminary analysis of revenue generation and expenditure yields the following insights based on data on 252 schools selected as a nationally representative sample. (This sample was originally selected by the BRIDGES project.) School census returns require an inventory of income and expenditure, and though there may be some under-reporting due to delays, there is no reason to suppose that this seriously alters the observations below.

Facilities fees are collected in about 63 per cent of schools; in 49 per cent of the total the collections average less than 10 rupees per child per year, compared to a theoretical maximum of between 36 and 60 rupees per child per year, depending on the type of school.

School development society funds are collected by about 54 per cent of schools. In 36 per cent of schools

Diagram 5

Least Developed Countries: Average Length of Study
as an Indicator of Efficiency in Primary Education
(1980 vs. latest available year)



the collection averages less than 10 rupees per child per year.

The number of old boys' and girls' associations is small. In this sample about 2.5 per cent of schools had money in these accounts. Invariably, these schools also had large facilities fees and school development society accounts.

The distribution of non-government resource generation covers a wide range. A very small number of schools apparently manages to collect facilities fees in excess of the theoretical maximum, but most collect half or less of this. School development society funds typically collect a few rupees per child per year, but there were five public schools that managed to exceed 100 rupees per child per year. Amongst a group of private schools not in the main sample, collections appear to average more than 500 rupees per child per year in school development societies alone. Some school development society balances run into tens of lakhs (millions of rupees), but most are of the order of several thousands, where they exist.

The pattern of balances generated is intriguing. For facilities fees in 1986 revenue was about 30 per cent greater than expenditure, resulting in a doubling of the

unspent balances. The growth in unspent school development society money was less dramatic, and these increased by about 24 per cent. This may be partly because the regulations governing school development society funds allow much simpler approval procedures than those for facilities fees. The accumulation of large balances within schools may be desirable if they are earmarked for capital projects. However, if they grow interest is taxed as income. Some growth is almost certainly the result of the underspending referred to later in this article.

The contributions from facilities fees, school development societies, and old boys' and girls' associations are small compared to recurrent costs as a whole. They rarely exceed one per cent of the total, and in many cases are negligible. Overall collections of facilities fees and school development funds averaged about 1.3 per cent of the teachers' salary budget in 1986. Where they occur, these contributions are valuable because of the kind of money that they represent; money is made available for things that would not otherwise be provided.

Patterns of expenditure from these funds are skewed in several ways. A preliminary analysis shows that, for

Diagram 6

Increases and Decreases in Recurrent Expenditure as a Proportion of Total Expenditure; Increases and Decreases in Expenditure on Emoluments and Materials as a Proportion of Total Recurrent Expenditure 1975-80, 1980-83

Region	Recurrent expenditure		Expenditure on			
	+	-	Emoluments		Materials	
	+	-	+	-	+	-
Africa						
1975-80	15	11	13	16	5	14
1980-83	12	4	14	4	5	9
Sub-Saharan Africa						
1975-80	12	7	12	10	4	10
1980-83	9	7	9	2	2	6
Central America and the Caribbean						
1975-80	7	6	3	9	2	6
1980-83	10	4	6	8	4	7
South America						
1975-80	3	4	1	4	2	2
1980-83	4	1	4	2	1	3
Asia						
1975-80	10	11	8	6	3	9
1980-83	15	5	12	8	8	10
Total						
1975-80	35	32	25	35	12	31
1980-83	41	14	36	22	18	29

Source: Unesco, *Statistical yearbooks*.

facilities fees nationally in 1986, 12.8 per cent is allocated to salaries of temporary teaching staff and ancillary workers; 11.9 per cent to library resources; 23.7 per cent to school sports; 8.7 per cent to stationery; 6.9 per cent to renovation; 10.4 per cent to term tests and the remainder is unclassified. For school development society expenditure, 3.0 per cent is allocated to library acquisitions; 36.6 per cent to buildings; 12.5 per cent to sports and the remainder is unclassified. From this and field enquiry it appears that the largest allocations are directed towards sports activities, where much of the disbursement is committed to large events and to supporting teams made up of selected higher grade children. Very substantial expenditures are incurred in producing test material, much of this coming from the unclassified budget head and also servicing the needs of older children taking public examinations at grade 10 and 12. Large sums are allocated from the school development funds for buildings (also from the

unclassified element as well as the buildings sub heading). On a preliminary analysis comparatively little of this money seems to be committed to improvements in the teaching and learning environment in the classroom, and to teaching materials.

The recurrent non-salary budget problems are linked to the distribution of the salary budget. There are cycles of cumulative deprivation which penalise understaffed schools in more ways than one. Those schools with least non-government income tend also to be those that are furthest from establishment staffing levels. They thus suffer twice — they are understaffed so there is a heavier workload on those teachers who remain, and the school becomes even more unattractive to teachers who might be posted there; the money that is saved on the recurrent budget is not available to these schools to allow them to improve conditions or pay temporary/unqualified staff. Teachers are paid from central budgets independent of which school they work in. Salary

surpluses from under-recruitment are returned to the central budget. The minority of over-established schools — often urban and in richer areas and with more pleasant working environments — enjoy greater per pupil spending and have little problem retaining staff.

The large disparities in unit cost per child (for recurrent expenditure as a whole these vary over a ratio of about 2:1 between districts [Ariyadasa, Wijeratne and Gunaratne 1986]) arise largely from the salary budget and are the product of variations in staffing ratios. Variation in non-salary recurrent expenditure between districts is as much as 4:1, the lowest spending being also the poorest on other indicators. Poorly staffed schools often simply cannot generate the motivation and persistence to obtain non-salary money, and are marginalised in the allocation process as a result.

Sri Lankan schools compete with each other, and rich secondary schools have no direct interest in helping poor primary schools in their area. This is partly the result of a structural problem. Schools in any given area will cover a range of grades, since there is no simple primary/secondary division. Typically, within a local area there will be some grade 1-6 schools, some grade 1-8, some grade 1-10 and perhaps one or two grade 1-12 schools. In most parts of the country these schools will belong to clusters, with a nominated core school having responsibilities across the cluster. This creates difficulties where there are two or more well-established full range schools competing both for resources and for students for A-level classes. Because there is often no clear feeder relationship between schools at different levels, it is not in the interests of large, full range schools to share resources and revenue with restricted range schools in their area — the alternative of attracting the best primary level students into the full range school is more palatable. The position of the restricted range schools is a kind of catch 22. If they want to accumulate more students and resources from the community they must extend upwards to the higher grades and provide at least O-level (grade 10). When they do so (and many are acquiring these grades in advance of official approval) the consequence are very small enrolments in high grade classes and no possibility of adequately staffing them with specialist teachers or providing facilities.

A significant proportion of principals do not want to handle money. Apart from the work involved in small schools that have no ancillary staff to maintain accounts etc., there is a widespread anxiety about the possibility of accusations of malpractice and the consequences of auditing procedures being used to harass staff. The number of occasions on which this happens may be small, but they are well-known amongst principals and exert a disproportionate influence on the attitudes of the less confident and

inexperienced. The circulars that apply to disbursement can be complex and often require cumbersome procedures — estimates may need to be prepared and submitted, approved at district and regional level by several categories of officer, perhaps as many as five. After approval, requisites can be obtained, and vouchers are then submitted through the same hierarchy for repayment. This process can be lengthy. Where these procedures apply to the expenditure of a few hundred rupees it is understandable that some principals feel that it is simply not worth bothering with the paperwork involved.

3. Some Policy Responses

The following is a preliminary agenda of policy options grounded in the Sri Lankan context. Some of these ideas may have applications in other systems with similar problems.

Recurrent Funding Linked to Indices of Need

It is possible to develop indices of absolute and relative need for schools or educational districts, that can serve as a basis for compensatory allocation of resources. These indices can include staffing ratios (compared to national norms), school facilities (class space, building condition, furniture, lab, latrine), health (height, weight). The allocation of recurrent finance can then be linked to the level of the index for a particular school or district. Some work of this kind has been initiated in the Planning Division of the Ministry [see Ministry of Education, Sri Lanka 1986], and in the Examinations Department through work on school performance indices, but as yet it has not had a major impact on resource provision to schools.

Indices could provide for bands of need, say four of these. Those in the most developed category would receive recurrent funds at a standard rate per child enrolled, those in the second category, twice as much, those in the third three times, and those with greatest need four times. As a school developed it would move from a higher to a lower band, reflecting the fact that its basic needs were being met and performance on the indices was improving. A system of this kind could also help to compensate poorer schools for the fact that income from facilities fees, school development societies, old students' associations etc. is much higher in already well-endowed schools which would score highly on the indicators.

Recurrent Funding Matching Grants

Indices of school need can be linked to matching supplementary funding of the recurrent budget. Most rural schools accumulate little cash income. What they can generate could be multiplied by offering 200 per cent matching funds. 100 per cent matching funds could be allocated to averagely endowed schools, and no matching funds to schools that have substantial

endowment funds above some arbitrary limit. Another way of limiting the subsidy would be to cash limit the matching funds so that they apply only to, say, the first 10,000 rupees above which there is no matching funding available. This would prevent richer schools from capturing disproportionate amounts of matching funds.

Linking Staffing Ratios to the Recurrent Budget

Salary funding is provided to schools on the basis of a standard pupil:teacher ratio which varies according to the class of school. The present system contains no penalty for over-establishment, and no benefit from under-establishment. The system could be modified so that supernumerary staff above the norm would have to be financed from other sources. Schools below the standard ratio, that are short of teachers, could be compensated for this by making the salary shortfall money, or some proportion of it, available for any legitimate purposes. This would allow for the improvement of the poorest schools, which typically have the worst pupil:teacher ratios. It would make them more attractive places so that teachers might want to work there, and could act as an incentive to hold staff.

Funds released by this innovation could be used in many ways — employing temporary teachers, providing bonuses to those staff who work under difficult conditions, improving the physical environment of the schools etc. It has the advantage to the Ministry/Provincial government that the extent of the financial burden is known and fixed, since it depends on the number of children. It gives principals (or cluster principals) more power in reaching decisions — they are at the point of need, and should know what it is best to spend the money on. Accountability can be ensured through committee decision-making involving a wider group — e.g. a school or cluster board, teacher representatives, and school development society members.

Types of expenditure could be earmarked to guarantee floor levels for different purposes. Thus, for example, from the allocated school budget, not less than 10 per cent and not more than 20 per cent should be allocated for non-salary recurrent. If a school wants fewer staff and more recurrent non-salary money, it could be free to do this within limits. Thus a 50-teacher school could have 49 teachers and use the salary savings for other purposes, providing the pupil:teacher ratio did not drop below a specified level.

Changed Procurement Systems

Delays and under-spending on procurement seem common. Part of the reason for slippage is inefficiency, part seems deliberate (the later the allocation the more likely the need for haste, thus open tender is replaced by invited tender which is replaced by direct placement

of orders), part is the result of unwillingness to take decisions for fear of sanctions. Possible improvements include:

- phased monitoring of major budgets month by month according to expenditure plans, so that urgent decisions are not all left to the end of the financial year. Significant slippage should be noted early and corrected, or the money reallocated;
- budgeting with carry-over from year to year to reduce the pressure to spend by an arbitrary date;
- distributed authority for spending, within agreed limits, at lower levels in the hierarchy, to shorten the decision-making process and protect individuals from allegations of corrupt practices — thus cluster principals acting with a small committee could have agreed spending power up to defined limits, where in principle they are the best judges of appropriate disbursement;
- norms for prudent levels of uncommitted reserves to discourage the accumulation of large, unspent balances that are liable to taxation;
- changed auditing procedures that are fair without being punitive, and are targeted towards systematic abuse rather than minor accounting errors;
- reconsideration of centralised purchasing procedures, where these do not succeed in delivering procurements as and where needed.

Mediating Expenditure Patterns

Guidelines for the profile of non-salary recurrent expenditure, especially that derived directly from the community, seem desirable. The current patterns seem to be concentrated on expenditure on sports equipment and sports days, and on the expenses involved in public examinations and preparation for them. Relatively little seems to be allocated to improving the learning infrastructure of schools.

It is a commonly held belief amongst principals that most contributions are collected from the parents of children in the lower grades, whilst most spending is directed towards the higher grades. Official figures do not show the former, but the latter is almost certainly true. Some control may be desirable to balance patterns of expenditure; primary school grades suffer the highest pupil teacher ratios and often the poorest physical conditions.

Capturing Private Tuition Income

In some areas parents are willing to pay substantial sums for private tuition. Usually this is taken as personal income by private individuals and off-duty teachers alike. It has proved impractical to prevent this, and it does represent an attractive incentive to keep a proportion of teachers in the profession. An indication of the magnitude of the problem is that it is

possible for energetic freelance 'A' level tutors to achieve earnings of up to 10 times teachers' salary levels by running tuition classes at several sites.

This situation can either be ignored, as present policy tends to do, or recognised and creatively accommodated. Some schools allow extra tuition to occur, unofficially, with payments by parents and with teachers using school facilities. Some teachers erode official teaching time with their extra-mural activities. Unscrupulous, unrecognised tutors capitalise on parents' and pupils' ambitions by providing services inferior to those in schools, for which they charge heavily.

There can be no effective policy within the public system to accommodate the wealthy parent intent on buying individual tuition to provide a marginal advantage in public examinations. Where tuition is effectively a community phenomenon and the majority of parents participate, this may be something on which school development societies should take a view. Extra payments to teachers for extra classes would be more profitable for the school and its pupils, and cheaper for the parents. It would be less damaging to the school curriculum and should provide a higher quality of tuition than that available from unqualified teachers. Though it is always possible that some teachers would take advantage of this to dilute their normal class teaching to add to the value of the extra classes and ensure good attendance, it should not be supposed that the present state of affairs does not already provide a greater incentive for this. The possibilities of this could be explored whilst recognising that it would inevitably raise questions of equity between schools with different levels of community support. Demand for private tuition might also be diminished by high quality radio and television tuition.

Cluster Policy

The logic behind the introduction of school clusters as the basic administrative unit is that the cluster becomes the accountable spending unit for many purposes. Expediting this could simplify and speed up disbursement procedures.

Core cluster schools, which often have the capacity to generate considerable resources from communities, need to be placed under an obligation to share a proportion of these with other schools in the cluster. If this is not done, there is a risk that larger schools with higher grades will siphon off most of the disposable income allocated to education by a particular community, and further impoverish other schools in the area.

In the competition for resources available from the communities served, those clusters which have more than one school offering teaching at higher grades are inevitably in conflict with each other. Over time, the

possibilities of developing catchment area clusters, where it is in the interests of larger schools to promote the development of smaller schools that feed students into them, need exploration.

Cluster policy should discourage the inefficient addition of small classes to the upper grades of grade 1-5 schools. Where this occurs and specialist teachers are recruited for very small class sizes, resources are wasted both in terms of inefficient deployment of specialist staff, who may not have full teaching loads, and in terms of the expenditure necessary to provide the basic material support for teaching in the higher grades. Clear policy guidelines need to be established on the approval for extra grades for existing schools and the employment of extra teachers for them.

4. Cost Recovery and User Fees

The preceding discussion focused on the more efficient and equitable allocation of existing resources — a pressing need in the short term. Cost recovery strategies that transfer direct costs away from public budgets to individuals or communities have been widely debated. A framework for these is already in place in Sri Lanka. The machinery for collection exists, facilities fees are levied and school development societies function. But the resources that they generate are insufficient to solve the central problems of low absolute per capita allocation and gross disparities in the recurrent budgets available at school level (especially of a non-salary kind). Some further reflection on these is necessary.

Charging fees directly to those who benefit from a service, rather than indirectly through the taxation system, is presumed to have at least two main kinds of benefit — improved accountability and increased resources. Arguably it shortens the chain of accountability between the providing agency and the client, making the former more responsive to the needs of the latter. Fees may also increase net resources available by mobilising disposable income not available directly to the public revenue system.

There are counter arguments to these presumed benefits. They centre around the conflict between individual benefit and collective gain, the sophistication of user groups, the impact on participation of charging user fees, and the nature of the service provided at different levels of cost. Taking these in turn, the motivation for increased accountability to user groups can be expressed in terms of the benefits parents and pupils hope to obtain from schooling. These concern the expected returns to individuals in income and social status. There is no necessity for this to result in maximising collective welfare; the saturation of labour markets at a particular level of educational qualification and consequent qualification escalation is just one of the collective outcomes with a

low social utility. This kind of conflict is described by game theorists as the 'tragedy of the commons' — what is in the interests of the individual is not in the interests of the collectivity [Hardin 1968] — and is a fundamental policy issue for public education systems that has to be confronted at a political as well as an economic level.

Enhanced accountability also presumes that parents and pupils can discriminate between high and low quality educational services. Amongst those who have not had significant schooling this seems unlikely; even amongst those who have, the quality of what they themselves received may lead to ill-informed conclusions concerning the value of different methods of teaching and learning. This is a very complex set of issues, partly bound up in cultural definitions of the nature of knowledge and the purposes of study. What may have been appropriate for one generation of learners is not necessarily so for the next, entering a radically different labour market. The beneficial effects of market competition depend on clients who can discriminate in a relevant and timely way, and who can exercise choice. There must be cause for concern where these conditions are not met and many consumers are deprived of adequate information and effectively unable to exercise choice, and where transfer to other schools is not a realistic possibility.

Charging user fees is likely to have a disproportionate impact on poor families. These generally have more members of school age, have less disposable income and experience greater fluctuations from year to year in income than do rich families. Real per capita income in more than half the countries in Africa is less than it was 10 years ago. Cornia [1984:219] has argued that a two to three per cent decline in average incomes can easily result in a 10-15 per cent decline in the incomes of the poorest groups, and an even larger reduction in disposable income. Family incomes have fallen in many sub-Saharan African countries at the very time when school fees have been introduced or raised [Habte 1988]. School avoidance rates are highest amongst the lowest income groups in Sri Lanka; the major factor identified for this is the inability to provide the basic requirements of attendance — bus fares, uniforms, writing materials etc. [Central Bank, Sri Lanka 1984:65]. Increased user fees, other things being equal, are likely to discourage regular enrolment amongst the poorest and, in many societies, affect adversely the enrolment of girls, where they are in competition for declining family income.

Where user fees are encouraged they may also have an unequal impact on levels of provision. Institutions with relatively wealthy catchments may generate very substantial sums, as they do in Sri Lanka. This increases the differences between schools in ways which favour the already advantaged and which may be counter to the broad objectives of social policy.

The most recent contribution of the World Bank to the debate on user fees [World Bank 1988:90] demonstrates a laudable concern for efficiency but an alarmingly narrow definition of it [Lewin 1988a]. Thus, the Bank argues that: To the extent that higher fees would discourage students with lesser academic ability, and hence, lower probability of success, from enrolling in secondary education, the policy of increasing fees would increase efficiency within the sub-sector.

This seems to imply that secondary school efficiency and success are attributes solely of academic ability. This is a denial of much that diversified school projects supported by the Bank have worked towards over the last two decades. The analysis offered does go on to recognise that equity is likely to be a victim of higher fees, since the ratio of high income to low income applicants 'will increase at any given level of ability'. As a result, the Bank [1988:90] argues that:

The adverse equity effects of the fees charged now, and of any future increase in fees, can be offset by the provision of scholarships for talented, low income students. It is not inconsistent to endorse a general policy that devolves a higher proportion of secondary costs onto users, while advocating that the fees charged to low income students remain the same as before and could be reduced.

The implication appears to be that equity is linked inextricably to ability. It seems curious that only the most able should qualify for subsidy. Those low income students with less than exceptional ability will have a strong negative incentive to remain enrolled. The standards against which scholarship holders' abilities are likely to be judged are those of the educationally advantaged. Social justice seems to come a poor second to the sponsored mobility that the meritocratic state provides for those in co-opts.

None of the analysis offered in this paper should be taken to imply that there is no case to be made for user charges. At higher education level the balance of the case that can be made is very different than at primary level. Living costs, as opposed to learning costs, can and usually should be transferred on to students and their families. If some schools can mobilise resources derived from their communities they should undoubtedly be encouraged. Financial regulations should be constructed to reward initiative and simplify procedures so that they are manageable and facilitating. The analysis does suggest that non-salary recurrent financing has complex dimensions and that improvements depend on action over a broad front that includes staffing, allocation procedures, distribution, management and sensitive understanding of the behaviour of organisations under stress [Lewin 1988b]. Existing mechanisms which generate contributions from individuals and communities indicate considerable disparities in willingness and ability to pay, and these highlight their limitations. These need

to be the focus of more research before implementing approaches that do not, in important respects, succeed in increasing resources in an equitable and efficient way.

There are no quick fixes to the problems of inadequate recurrent finance. The ones that may appear so are likely to have many unintended consequences, the most serious of which are inextricably linked to considerations of equity. If that tradition of development policy that values the satisfaction of needs amongst the most vulnerable groups is to have an impact on the current debate, it should give especially close scrutiny to cost recovery proposals.

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