

**DIRECTORATE FOR EDUCATION AND SKILLS
EDUCATION POLICY COMMITTEE**

Planning and monitoring the use of school funding to improve equity and performance

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This background note on planning and monitoring the use of school funding to improve equity and performance is intended to inform Session 2.C of the High-Level Seminar on Value for Money in Post Covid Education.

A challenge for school systems is to ensure that school funding is spent most efficiently and in accordance with policy priorities. Planning, monitoring and evaluation processes are essential to reflect upon previous expenditure in education and future resource needs in order to develop financially sustainable education budgets that support the provision of high quality education and effectively address policy priorities. This note discusses how education and finance authorities can work together to ensure the alignment of budget planning procedures with education strategic priorities; and the effective use of evaluation and monitoring to inform future uses of school funding.

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Planning and monitoring the use of school funding to improve equity and performance

Introduction

1. Policy choices or external shocks, such as demographic changes or events like the COVID-19 crisis, can influence the allocation of public funds across sectors. The COVID-19 pandemic has disrupted education at an unprecedented scale and maintaining learning continuity amidst school closures and teacher shortages, as well as ensuring the safe reopening of schools required financial resources beyond those that had been budgeted for prior to the pandemic. As the sanitary crisis evolved into an economic and social crisis, governments have had to take difficult decisions regarding the allocation of funds across sectors.

2. As outlined in the note for Session 2.A, education appears to have maintained its priority in national budgets of OECD countries in the immediate aftermath of the crisis in 2021. Nevertheless, budget cuts to education tend to lag behind the emergence of a crisis and it remains to be seen whether the relative budgetary stability in high-income countries can be maintained as the pandemic continues to take its economic toll (OECD, 2021, p. 28^[1]). According to the 2021 Education Finance Watch (EFW) report, among low- and lower-middle-income countries with available data, two thirds have already cut their education budgets since the onset of the Covid-19 pandemic (World Bank and UNESCO, 2021^[2]).

3. While it is more important than ever in light of these unforeseen circumstances, the formulation and implementation of every education budget provides an opportunity to reflect upon previous expenditure and future resource needs in order to develop financially sustainable resource allocations that support the provision of high quality education and effectively address policy priorities. In most OECD countries, education and finance authorities share responsibility for setting up the education budget at the central level. In 2016, nearly all of the 21 countries and economies participating in the OECD School Resources Review reported that both ministries of education and finance played a role in proposing, negotiating, revising and approving budgets for education, although the order of their engagement, as well as the role of central governments varied across systems (OECD, 2017, pp. 186, Table 4.A1.2^[3]). Yet, the close collaboration between ministries of education and ministries of finance matters not only during the budget's planning and formulation, but throughout the budgeting cycle, including in monitoring and evaluating the budget's successful implementation.

4. This background note describes practices and procedures involved in effectively planning, monitoring and conducting the evaluation of the use of school funding, and it analyses the challenges involved in these processes. The note is organised around three selected key themes:

- I. First, the note reviews how budget-planning procedures can be linked to educational targets and priorities in order to strategically guide the planning process. The note also discusses different

techniques that OECD countries employ to render education budgets more flexible, responsive and efficient, for example through multi-annual approaches to budget planning.

- II. Second, the note explores the role of evaluations and how their results can be used to ensure that available resources are used more effectively and equitably. These evaluation processes can take place at different levels of the system and include internal management and control, accounting, financial reporting, external audits and evaluations, and individual performance management.
- III. Third, in light of a trend towards fiscal decentralisation in many OECD countries, the note discusses the importance of building capacity at lower levels of the system in order to enable them to assume their new responsibilities successfully.

Linking budget planning to policy objectives

Education systems pursue multiple objectives with limited resources, hence the importance of aligning funding strategies with system priorities in planning the budget

5. OECD countries pursue a wide range of objectives for their education systems, including educational quality and excellence (e.g. improving overall achievement and the share of high-performers, or upskilling their teaching workforce), equity and inclusiveness (e.g. supporting students from a low socio-economic background or integrating students with special needs in mainstream schools) and expansion (e.g. widening access to pre-primary education).

6. Since school systems have limited financial resources with which to pursue these goals, it is important to ensure that funding strategies and system-wide objectives are aligned. To this end, OECD countries have, to varying extent, integrated strategic considerations into their budgeting procedures. This may involve the use of strategic documents to guide the budget planning process or the development of expenditure frameworks that connect spending decisions to education priorities. Some countries have placed particular emphasis on developing clear targets, corresponding indicator frameworks and mechanisms to report on the system's use of resources in order to achieve educational goals.

This requires a shared understanding of priorities, especially in decentralised systems, and targets and standards to assess the effectiveness of budget preparation

7. Effectively using education objectives to inform spending decisions poses several challenges. It depends on a shared understanding of educational quality and priorities to guide the budgeting process as well as the development of targets and reference standards against which its effectiveness can be assessed. The absence of such targets or their shared understanding by all relevant actors can complicate budgetary negotiations and diminish the effectiveness of the budget's preparation, particularly in systems with decentralised spending responsibilities. Likewise, not all countries set target dates for the completion of their educational objectives as part of the planning process, which results in the absence of clear timeframes that could be used to subsequently evaluate spending decisions (OECD, 2017, p. 157^[3]).

The challenge for policy makers is to back up policy objectives with credible and sustainable resources, while enabling flexibility to adjust to changing circumstances

8. Given the longer-term fiscal implications of educational reform projects and the time it takes to implement them successfully, policy objectives need to be backed by credible and sustainable resource commitments. Given the changing nature of external circumstances as well as educational priorities, education and finance authorities are faced with the challenge of ensuring this reliability and fiscal sustainability when formulating education budgets while at the same time allowing for sufficient flexibility

and responsiveness to new developments. As discussed in the following, OECD countries have used a range of strategies, often involving multi-annual approaches to budgeting, in order to achieve this balance.

9. Authorities also need to determine the degree of budget flexibility they allow at the school level, for example when it comes to schools' right to carry over unused resources from one year to the next. Among the 17 systems participating in the OECD School Resources Review, four reported not to allow public schools to carry over any budget surpluses at the primary level (and three at the secondary level). By contrast, in the majority of countries, some budgetary carry-over in schools is permitted. At the primary level, this practice is either unrestricted, allowed up to a maximum limit or for specific types of funding (e.g. in the Czech Republic, Israel and the Slovak Republic), or subject to the approval of central or local educational authorities (e.g. in Denmark, Estonia, Iceland and Portugal) (OECD, 2017, pp. 189, Table 4.A1.3_[3]).

In most OECD countries, the ministry of finance sets the framework and timeline for the budgeting process, but the process varies greatly across countries

Some countries develop education budget proposals within ceiling budgets while others operate bottom up with expenditure-driven budget proposals

10. In most OECD countries, the ministry of finance establishes the procedural framework for the budgeting process in a budget circular, which it provides to line ministries. The budget circular outlines the rules and timeline for the different budgeting procedures. In addition, it may provide guidelines for the use of fiscal projections, contain expenditure ceilings or targets and inform education ministries of specific government priorities. The budgeting process differs significantly across OECD systems – in some, the ministry of finance sets budget ceilings before line ministries draft their budget proposals while others use a bottom-up budgeting procedure in which ministerial budget proposals tend to be more expenditure-driven.

11. In either case, some finance ministries offer education ministries their horizontal support during the budget preparation, providing them with procedural guidance as well as relevant finance and accounting documents (Curristine, 2005_[4]). Most education ministries also have a dedicated unit that is tasked with budgetary and funding matters, such as the Directorate of Financial Affairs within the Ministry of Education, Youth and Sports in France. Likewise, the Office of Information and Financial Affairs situated in the Icelandic Department of Education or the Finance Department within the Lithuanian Ministry of Education and Science (Fakharzadeh, 2016_[5]). These organisational units can play an important role in setting up budgeting and accounting systems and often take a lead in negotiating education budgets with the finance ministry (OECD, 2017, p. 168_[3]).

12. Throughout the budgeting process, the actors involved may draw on a wide range of information, consultation procedures and planning tools to guarantee that education budgets meet future resource needs (OECD, 2017, p. 168_[3]). Countries also employ different strategies to integrate educational objectives into their budgeting procedures. This may involve the use of strategic documents to guide the budget planning process or the development of expenditure frameworks that connect spending decisions to education priorities.

Countries typically draw on strategic documents and multiple data sources to prepare education budgets, but analysis of impact evaluations are far less common...

13. As can be seen in Table 1, most of the countries that participated in the OECD School Resources Review's qualitative data collection¹ draw on multiple sources of data when preparing their central-level education budgets. It should be noted, however, that there may not be a systematic approach to the way it is brought to bear on the budget planning process. Likewise, the relative emphasis placed on different types of data during the formulation of initial spending ceilings, budget proposals and the subsequent negotiations varies considerably, not least in light of the often highly politicised context in which budget negotiations take place (OECD, 2017, p. 169^[3]).

14. All 15 OECD School Resources Review countries reported to draw on administrative data during the budgeting process (e.g. the number of students, teachers and schools) and ten of them used demographic information, such as population projections. Macroeconomic and fiscal forecasts (e.g. the GDP growth rate or the education expenditure's share of the national budget) were used less commonly, in 8 of the 15 systems. Most countries also reported seeking to link the budget planning process to policy objectives by considering policy priorities included in strategic documents (12 of 15) as well as identified needs (9 of 15) when planning their education budgets. The results of programme and policy impact evaluations as well as information on performance played less of a role and were drawn on in only four of 15 systems respectively, for example in **Estonia**, where the success relative to national education targets is taken into account during the budget planning process (see Table 1).

Table 1. Information used in the preparation of the central education budget (ISCED 0-3), 2016

| Country | Administrative data | Results from impact evaluations | Demographic information | Policy priorities | Identified needs | Macroeconomic and budgetary indicators | Data on student flows | Data on pedagogical orientations | Information about previous budget | Performance information |
|-----------------|---------------------|---------------------------------|-------------------------|-------------------|------------------|--|-----------------------|----------------------------------|-----------------------------------|-------------------------|
| Austria | ✓ | | ✓ | ✓ | ✓ | | | ✓ | | |
| Chile | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Czech Republic | ✓ | | ✓ | | ✓ | | ✓ | ✓ | | |
| Denmark | ✓ | | | ✓ | | ✓ | ✓ | | ✓ | |
| Estonia | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Iceland | ✓ | | ✓ | | | | | | | |
| Israel | ✓ | | ✓ | ✓ | ✓ | | | ✓ | | |
| Kazakhstan | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Lithuania | ✓ | | | | | | | | | |
| Portugal | ✓ | | | ✓ | | | | | ✓ | |
| Slovak Republic | ✓ | | | ✓ | ✓ | ✓ | | | | |
| Slovenia | ✓ | | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ |
| Spain | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ |
| Sweden | ✓ | | ✓ | ✓ | | | | | | |
| Uruguay | ✓ | | | ✓ | | ✓ | | ✓ | ✓ | |

Notes: General note on Belgium (Fl. and Fr.): There is no central education budget and budget planning, but an annual lump sum transfer originating from central (federal) taxes to the states (Communities). Communities can use funds from the lump sum transfer for all policy domains they are responsible for at their own discretion. Budget planning happens at the state (Community) level. Therefore, this table does not provide information for Belgium (Fl. and Fr.).

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

¹ Austria, Belgium (Fl. and Fr.), Chile, Czech Republic, Denmark, Estonia, Iceland, Israel, Kazakhstan, Lithuania, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Uruguay.

The review team made every effort to ensure, in collaboration with countries, that the information collected through the qualitative survey on school funding is valid and reliable and reflects specific country contexts while being comparable across countries. However, given the qualitative nature of the survey, information should be interpreted with care. For country-specific notes to this table, see the Annex Notes on Table 4.A1.1. in OECD (2017^[3]).

Source: Reproduced from OECD (2017^[3]), *The Funding of School Education: Connecting Resources and Learning*, <http://dx.doi.org/10.1787/9789264276147-en>, p. 185, Table 4.A1.1.

Strategy documents outlining policy priorities are increasingly used to connect spending with policy priorities, and this is all the more important when spending is decentralised

15. Particularly in school systems with decentralised resource management responsibilities, setting well-defined and prioritised goals that can be translated into concrete targets at the local and school level has been central to guiding educational reforms and the preparation of budgets that are suited to fulfil these objectives. An increasing number of OECD countries make use of strategic documents to inform budget planning procedures and connect spending decisions to policy priorities. Developing these linkages between budget and strategy frameworks can provide governments with a clearer picture of where public finances are spent, facilitate the allocation of resources according to policy priorities and make it easier to track spending against the achievement of policy outcomes, particularly where targets and priorities are formulated in concrete terms (IIEP-UNESCO, 2010^[6]). Box 1 provides an example from **Denmark**, highlighting how the formulation of policy priorities can support budgeting and reform processes in a decentralised education system.

Box 1. Education budgets' steering through national targets in Denmark

As a school system characterised by a high degree of decentralisation in spending decisions, Denmark has developed an approach to educational steering that relies on the definition of clear education goals that translate into measurable targets at the local and school level. For the 2014 Folkeskole reform, it defined three core objectives pertaining to student achievement, equity and wellbeing along with a range of corresponding measurable indicators. The progress on all of these indicators was monitored for every school and reported to the municipalities. Similarly, the 2012 inclusion reform was guided by a clear target of an overall inclusion rate of 96%, which provided a common objective for actors at all levels and appears to have been well understood and taken on board by municipalities and schools to inform their local education planning.

Another noteworthy example of clearly formulated national targets is the Danish government's policy for teacher competency development and specialisation, which is part of the 2014 Folkeskole reform. The government established the target that 95% of teachers should be certified in all the subjects that they teach by 2020, including the short-term objectives of reaching 85% by 2016 and 90% by 2018. To facilitate the achievement of these objectives, the Ministry for Children, Education and Gender Equality has provided additional funding for teacher competency development along with evidence-based recommendations on how this funding could be spent. In order to apply for these funds, municipalities are required to develop a plan for their use, report back on their progress and repay any unspent money to the ministry by 2020.

Source: Nusche, D. et al. (2016^[7]), *OECD Reviews of School Resources: Denmark 2016*, <http://dx.doi.org/10.1787/9789264262430-en>; Reproduced from OECD (2017^[3]), *The Funding of School Education: Connecting Resources and Learning*, <http://dx.doi.org/10.1787/9789264276147-en>, Box 4.1.

While some countries use strategy-oriented medium term expenditure frameworks to better link resources to longer-term objectives, these often lack concrete performance targets

16. Integrating annual budgets into strategically oriented medium-term expenditure frameworks (MTEFs) can facilitate the link of resource allocations and longer-term objectives. Adopting a multi-annual budgeting process can provide spending agencies with a means to strategically plan their operations, take into account potential trade-offs between alternative spending options and their longer-term expenditure implications, thus giving them additional security when planning longer-term investments. Nevertheless, some MTEFs used in OECD review countries are not yet sufficiently guided by concrete targets and priorities or fail to create direct links between spending decisions, performance and policy priorities (Santiago et al., 2016^[8]). Austria has taken important steps to ameliorate this shortcoming by moving towards a performance-oriented budgeting approach at the national level (see Box 2).

Box 2. Integrating performance targets into the federal budget in Austria

Building on a comprehensive reform launched in 2009, Austria introduced new budgeting principles in 2013, which led to the inclusion of performance targets in the federal budget alongside concrete actions envisaged to achieve these targets and criteria used to measure their success. The two education-related goals included in the 2015 budget are to improve gender equality in education and raise the level of education. Each goal is accompanied by three indicators whose progress is evaluated as part of the country's monitoring framework for educational quality (Nusche et al., 2016^[9]). The broad goals are then linked and referred back to by specific budget programmes such as the one for “compulsory schooling – primary and secondary level” (Bruneforth et al., 2016^[10]).

Source: Nusche, D. et al. (2016^[9]), *OECD Reviews of School Resources: Austria 2016*, <http://dx.doi.org/10.1787/9789264256729-en>.

Coordination between ministries of education and finance, within education ministries and across levels of government is essential to the success of outcome-oriented budgeting

17. For performance- or outcome-oriented budgeting to be successful, it requires not only the commitment of central actors and strong co-ordination between ministries. It also needs co-ordination across levels of government. To ensure that the strategic budgeting norms followed at the central level are adopted at sub-central levels of administration, some countries therefore mandate all levels of the education system from the central to the school level to develop their budgets and justify their spending decisions in light of a shared set of priorities. This may involve drafting their own medium- and short-term strategic plans and budgets in line with the central level expenditure framework or at least actively contributing to the preparation of local expenditure frameworks prepared at the central level. **Estonia** provides an example where co-ordination within and between ministries and different levels of administration are used to promote widespread awareness and understanding of the country's education goals and their effective integration into the budgeting process (see Box 3). However, in many countries, insufficient technical capacity at both the central and local levels constitutes a challenge when involving sub-central authorities in the implementation of strategic budgeting plans (OECD, 2017, p. 158^[3]; IIEP-UNESCO, 2010^[6]).

Box 3. Strategic and multi-annual education budgeting in Estonia

Estonia has taken important steps to integrate its annual budgeting processes into longer-term strategic frameworks at all levels of governance. By law, the national government, local governments and schools must have Strategic Development Plans. In the case of local and national governments, these plans must be linked to four-year medium-term expenditure frameworks (MTEF). These frameworks establish the parameters based on which annual budgets are drafted, before they are themselves adjusted in light of those budgets.

At the national level, the National Reform Programme “Estonia 2020” constitutes the most important strategic document, which was adopted in the context of the Europe 2020 strategy. It identifies 17 major challenges facing the country and divides them into 4 basic fields, one of which is education. These educational priorities are further defined by the Estonian Lifelong Learning Strategy 2020, which in turn serves as the platform for financial planning in the sector between 2014 and 2020. Strategic priorities and goals are expressed in concrete financial terms by the Ministry of Education and Research’s four-year MTEF and currently implemented through thirteen programmes.

This expenditure framework is subject to inter-ministerial discussion and debate before being integrated into the government’s overarching MTEF. In March of every year, the Ministry of Finance uses economic forecasts and the government’s MTEF to give all line ministries a budget ceiling for the following four years. By April, line ministries must fit their priorities into these ceilings in accordance with their stated objectives and adjust their MTEFs accordingly. Negotiations between high-level civil servants result in further modifications of each ministry’s budget and in September, the government submits its general budget proposal for the next fiscal year to parliament for debate. Local governments are also required to align their annual budgets with both four-year expenditure plans and longer-term Strategic Development Plans.

School directors are responsible for developing school budgets. At the national level, most local governments operate according to well-defined budget calendars and provide school directors with budget ceilings for the next fiscal year each spring. These figures are then adjusted in autumn when enrolment becomes clearer. In municipal schools, school budgets are reviewed by democratically elected boards of trustees composed of parents, teachers and students before receiving final approval by the local government. In state-run schools, budgets are also reviewed by boards of trustees or advisory bodies (in VET schools). These boards contain not only teacher and parent representatives, but also external experts and – in the case of VET schools – industry representatives. The Ministry of Education and Research grants final approval for the budgets of state schools.

Sources: Santiago, P. et al. (2016^[11]), *OECD Reviews of School Resources: Estonia 2016*, <http://dx.doi.org/10.1787/9789264251731-en>; Reproduced from OECD (2017^[3]), *The Funding of School Education: Connecting Resources and Learning*, <http://dx.doi.org/10.1787/9789264276147-en>, Box 4.2.; See also OECD (2021^[12]), “Enhancing data informed strategic governance in education in Estonia”, *OECD Education Policy Perspectives*, No. 47, OECD Publishing, Paris, <https://doi.org/10.1787/11495e02-en>.

Some promising strategies and lessons for policy makers include...

Strategically linking spending decisions to clearly articulated policy priorities

18. Aligning funding strategies with policy objectives is crucial to ensure that financial resources are effectively employed to drive educational improvement and reforms. This requires both the formulation of clear goals and their connection to the budget planning process. Central-level educational goals should be well defined and prioritised and – particularly in school systems with decentralised resource planning

responsibilities – translatable into concrete objectives at the sub-central level. Fostering widespread awareness and a shared understanding of this strategic vision for education among different stakeholder groups and levels of authority can increase the coherence of budget planning activities across the education system. In addition, it would be beneficial for planning purposes if educational objectives were accompanied by a range of targets with a defined time horizon to promote accountability, increase their value for strategic resource planning and facilitate the subsequent evaluation of spending decisions (OECD, 2017, p. 180_[3]).

19. Countries should ensure that these targets and policy priorities are taken into consideration when planning the use of school funding by integrating them into strategic documents and the procedural mechanisms that guide the budget preparation at different levels of the education system. Particularly when combined with multi-annual budgeting procedures, strategic frameworks containing short- and medium-term objectives should be used to inform negotiations and decisions on medium-term expenditure frameworks. Information on policy objectives and expected outcomes should also be presented alongside budget allocations in order to facilitate the distribution of resources according to policy priorities, provide authorities with a clear picture of the purposes that expenditures serve and facilitate the subsequent evaluation of spending decisions against the achievement of policy outcomes. Countries should seek to establish these links between strategic objectives and educational expenditure beyond the central level, for example by encouraging the alignment of spending decisions with school development plans. This may require a commitment to building technical and strategic capacity where local actors and school authorities play an active role in the budgeting process (OECD, 2017, p. 180_[3]).

Adopting a multi-annual approach to budget planning

20. Adopting a multi-annual approach to planning education expenditure and making effective use of budgeting tools such as medium-term expenditure frameworks (MTEFs) is key to ensuring the efficiency and financial sustainability of high-performing education systems. MTEFs constitute a strong framework to combine medium-term economic and fiscal estimates with projected resource needs in order to assist spending authorities in making informed and sustainable budgeting choices. In order to achieve and maintain fiscal discipline, multi-annual expenditure plans should be adopted with a view to ensure that policy proposals and programmes are backed by a medium-term budget and that varying costs at different stages of their implementation are adequately accounted for (OECD, 2017, p. 180_[3]). The development of multi-annual budgets should also be guided by high-quality forecasting mechanisms to ensure the reliability of indicative spending ceilings or create the conditions necessary to commit to longer-term allocations. In order to maximise their value for strategic planning, MTEFs should integrate budgeting processes at different levels of the education system by encouraging actors across administrative levels to align their spending proposals with central expenditure frameworks (OECD, 2017, p. 180_[3]).

Finding the right degree of budget flexibility

21. Policy objectives can change in light of shifting priorities or unforeseen circumstances, such as the ongoing COVID-19 crisis. Budgets should allow sufficient flexibility to accommodate such shifts without compromising reliability, stability and accountability. Introducing an appropriate degree of flexibility into the budgeting process can improve its responsiveness to unforeseen circumstances and promote more efficient spending decisions at the sub-central level. Particularly in the context of multi-annual budgeting procedures, countries should seek to reconcile the importance of long-term reliability and stability in funding allocations with their responsiveness to changing conditions in the short term. Allowing for the regular adjustment of multi-annual budget ceilings to take into account changing resource forecasts and permitting funding to be shifted across budget items in response to emergencies or reassessed priorities can significantly improve the allocation of educational resources if appropriately regulated (OECD, 2017, p. 181_[3]).

22. Schools and local authorities should also be provided with some room to carry unused appropriations forward from one budget year to the next. This can discourage inefficient expenditures towards the end of the budget cycle and provide schools and local authorities with incentives to mobilise additional revenue or improve the efficiency of their operations if they are allowed to keep some of their surplus to build reserves. Nevertheless, appropriate regulations should prevent the accumulation of excessive surpluses and spending fluctuations across years (OECD, 2017, p. 181^[3]).

Evaluating the use of school funding

23. Evaluating the use of school funding is essential for the improvement of educational quality as well as accountability purposes. Evaluation processes (encompassing a range of activities, including monitoring, reporting and auditing) provide critical information on the use of resources at different levels of the system and the educational experience that the allocated resources provide to students. Well-designed evaluation systems can generate information on how school funding translates into outcomes for different groups of students and how resources could be used more efficiently and effectively to achieve the school system's goals, which can inform the planning of future budgets (OECD, 2017, p. 200^[3]).

24. The evaluation of school funding also helps to ensure that resources are managed effectively and used for their intended purpose in line with requirements and regulations. This is becoming ever more important in education systems characterised by increasing complexity and multi-level governance structures. In practice, budgets are rarely implemented exactly as approved, which can happen for legitimate reasons, such as policy changes and adjustments in priorities in response to emerging challenges. However, the execution of a budget may also be hindered by a lack of capacity, mismanagement, unauthorised expenditures, inefficiencies or fraud. Continuously monitoring the execution and implementation of a budget can help authorities to detect these problems and address them as they arise.

In most OECD countries, evaluation and monitoring need to adapt to the increasing complexity of education systems characterised by multi-level governance

In systems with multi-level governance, central authorities with responsibility for ensuring high quality, efficient and equitable education often use earmarked funding to steer education spending...

25. The complex governance arrangements of modern education systems pose new challenges for the effective evaluation of school funding. Many OECD education systems are characterised by multi-level governance arrangements with shared responsibilities between central and sub-central authorities. In such systems, the question of which actors at which levels should be held accountable for which decisions and outcomes becomes central (Burns and Köster, 2016^[13]). Giving sub-central authorities the power to make funding decisions may enhance the quality of public services. At the same time, the expansion of sub-central spending, revenue collection and borrowing powers creates challenges for fiscal control and financial reporting (Schaeffer and Yilmaz, 2008^[14]). It is therefore ever more important for monitoring, evaluation and reporting mechanisms to ensure that funds transferred from the central to sub-central governments are used efficiently and in line with laws and regulations and as approved by the legislative (OECD, 2017, p. 201^[3]; Sevilla, 2006^[15]).

26. Where central governments remain responsible for ensuring high quality, efficient and equitable education at the national level while goal setting and decision making increasingly take place at the local level, central authorities need to provide a strong accountability framework for lower levels of governance (Burns and Köster, 2016^[13]; Hooge, 2016^[16]). In this context, some central governments take a strong role

in steering and monitoring sub-national spending and performance through the use of input-related control mechanisms, such as the allocation of funds through earmarked grants (Lotz, 2006_[17]).

- In **Denmark**, for example, the use of funding at a local level is generally not monitored or evaluated by central authorities, but there has been a deliberate emphasis on monitoring the use of specific grants provided to the municipalities (Nusche et al., 2016_[7]).
- Similarly, in **Sweden**, the central government increasingly tries to steer municipalities by means of specially allocated subsidies (OECD, 2017, p. 202_[3]).

... but sub-central authorities may perceive this central steering of education spending as interference, which calls for striking a fine balance between accountability and trust

27. Sub-central authorities may perceive central monitoring and controlling as interfering with their responsibilities, which can lead to tensions between different governance levels (Schaeffer and Yilmaz, 2008_[14]). Accountability in multi-level governance systems thus needs to be carefully balanced with trust between actors at different levels of governance (Burns and Cerna, 2016_[18]). In well-functioning sub-central government budget and managerial structure, accountability at the sub-central level is generated not only through top-down control, but through multiple, complementary types of accountability (OECD, 2017, p. 202_[3]; Schaeffer and Yilmaz, 2008_[14]):

- **Vertical accountability** entails rules set by higher-level governments often for the operation of local governments and requirements for financial reporting in return for the provision of financial resources through fiscal transfers.
- **Horizontal accountability** can be generated by a range of public entities responsible for checking local government abuses and inefficiencies, such as local government councils, court systems or auditing agencies.
- **Bottom-up accountability** is promoted by citizens acting through the electoral process, through civil society organisations or the media. Beyond the electoral process, citizens can also hold their local authorities accountable through accessing publicly available local government financial information, involvement in the budgetary process through participatory budgeting practices, and through independent budget analysis.

The strategic use of evaluations and spending reviews can support a more efficient allocation of resources

Evaluation results can be used to inform decisions throughout the budgeting cycle and serve as a basis for professional and evidence-informed discussions among stakeholders concerning future budgets and reform initiatives. According to an OECD survey, approximately half of OECD countries reported the use of policy, programme or project evaluation results during budget negotiations between line ministries and the ministry of finance in 2005 (Curristine, 2005_[4]). Many OECD countries and economies have also seen the remit of supreme audit institutions expanded from a focus purely on financial audits to examining the performance of expenditure or cost-effectiveness of certain initiatives. Even more often than for the budget formulation itself, evaluation activities are commissioned and used internally by line ministries or national audit offices to inform their strategies and targets (Curristine, 2005_[4]). Evaluations can also be carried out at the school level and some systems have mandated integrated evaluations in their school funding mechanisms to encourage schools to strengthen their focus on outcomes and outputs (see Box 4).

Box 4. Linking evaluations to school funding mechanisms in the Flemish Community of Belgium

The Flemish Community of Belgium provides a good example of how school funding mechanisms can be linked to evaluations and school development. In its 2002 Decree on Equal Educational Opportunities, the Flemish Community has funding to secondary schools implementing additional educational support for disadvantaged students and linked this funding to evaluation and monitoring requirements. Secondary schools have considerable flexibility as to how to use the resources, but must follow a three-year cycle consisting of policy planning in Year 1, an evaluation in Year 2, and an inspection in Year 3.

Source: Nusche, D., et al. (2015^[19]), *OECD Reviews of School Resources: Flemish Community of Belgium 2015*, <http://dx.doi.org/10.1787/9789264247598-en>.

28. However, not all evaluation activities explicitly assess the impact of programmes or policies relative to a set of previously established objectives. This can diminish their potential to help ministries in making spending decisions, prioritising among programmes and influencing their design or operation (OECD, 2017, p. 181^[3]; Santiago et al., 2017^[20]). One evaluation technique that explicitly aims to support effective spending decisions in the planning of educational resources are value-for-money (V4M) analyses, which may take the form of cost-benefit analyses or cost-efficiency analyses. Both weigh the expected or observed benefits of education programmes, policies or investments against their costs. The scope to perform rigorous value-for-money analyses in the education sector tends to be restricted by data limitations as well as the uncertainty and complexity inherent to the educational process. Most decision makers acknowledge these limitations and underlying assumptions of V4M analyses, and therefore use them to complement, rather than substitute for other sources of information during the budgeting procedure (Münich and Psacharopoulos, 2014^[21]). Nevertheless, even if the use of V4M analyses in the budgeting process is limited, elaborating frameworks for value-for-money evaluations alone can help stakeholders develop a clearer idea of the costs and benefits associated with specific proposals, which stakeholders they might accrue to over time and whether any side effects or unintended consequences should be taken into consideration (Münich and Psacharopoulos, 2014^[21]).

29. Spending reviews are another important tool providing information to support efficient spending choices, provided that they are well co-ordinated with the budgeting process and provide concrete saving options to be considered alongside the cost of newly proposed policy initiatives. Since the financial crisis in 2008 and the increased fiscal consolidation pressures that followed, spending reviews have gained importance as tool to implement strategic savings through the budgeting process and for “developing and adopting savings measures, based on the systematic scrutiny of baseline expenditure” (Robinson, 2014^[22]). Rather than evaluating new policies and expenditure proposals, spending reviews are primarily designed to identify potential areas for savings in existing budget lines and recurrent expenditure, either through improved efficiency or reductions in services and transfer payments. Spending reviews may be conducted with a pre-defined savings target, as a means to set MTEFs or to define sectoral expenditure ceilings during the budget preparation. The nature of the reviews varies considerably across countries with regards to their scope, frequency, and the types of saving measures they propose. Yet in 2012, half of the surveyed OECD countries reported to be engaged in a review process and most of these opted for a comprehensive format, identifying saving measures across a wide range of governmental expenditures (OECD, 2017, p. 181^[3]; Robinson, 2014^[22]).

Spending reviews in OECD countries are usually initiated and designed by the finance ministries but developing the set of savings options typically lies with ministries of education

30. Spending reviews in OECD countries are usually initiated and designed by the finance ministries and political leaders who decide on the review's scope, timeframe and saving targets. Depending on country-specific factors, such as the composition of review teams, education ministries often play a central role when it comes to developing the final set of savings options to be proposed for implementation (Fakharzadeh, 2016^[5]). In order to identify areas for efficiency improvements, review teams rely on high-quality information generated through their own evaluation activities or drawn from existing data on educational efficiency. Routinely carrying out evaluation activities can therefore make an important contribution to the quality of spending reviews if their results are relevant, reliable and effectively integrated into the process (OECD, 2017, p. 181^[3]; Robinson, 2014^[22]).

Spending reviews are increasingly being integrated into the budget preparation process

31. While spending reviews have traditionally been used by countries on an ad hoc basis, they are increasingly integrated into budget preparation processes (Fakharzadeh, 2016^[5]). This implies co-ordinating the frequency and timing of spending reviews with that of the country's ministerial budget allocations. In some cases, reviews are also timed to ensure that concrete saving options can be presented to the political leadership alongside the cost of newly proposed policy initiatives, which allows them to make a direct contribution to the budget planning process (Robinson, 2014^[22]). The simultaneous consideration of spending and saving options makes it possible for governments to adopt new high-priority spending proposals without increasing aggregate expenditure by implementing corresponding saving measures identified in the review process to balance their budget. This process encourages governments to engage in a direct comparison between the merits of new spending proposals and their baseline expenditure (OECD, 2017, p. 181^[3]; Robinson, 2014^[22]).

Some promising strategies and lessons for policy makers include...

Evaluating the effectiveness of school funding and promoting data transparency

32. Countries should create the necessary conditions for their financial monitoring systems to evaluate how the use of funding translates into educational processes and outcomes. Integrating the analysis of financial and educational data is an important condition for identifying effective policies and programmes in order to improve decision-making and make better use the available funding for teaching and learning. Achieving this goal requires the collection of comprehensive information about resource inputs, educational processes and outcomes as well as long-term outcomes of education that may be more difficult to measure (OECD, 2017, p. 228^[3]).

33. The OECD Review of Evaluation and Assessment in Education (OECD, 2013^[23]) conducted an international comparative analysis of evaluation and system-level monitoring practices in education systems. Some of the key policy insights borne out by the review include:

- the importance of adopting a broad concept of education system evaluation;
- the recognition that policy making needs to be informed by high-quality data and evidence, but not driven by the availability of such information;
- creating links between the evaluation of the education system and the broader context of performance measurement frameworks for the public sector;
- the development of an education indicator framework to map available information systematically against education system goals;
- the design of a national strategy to monitor student learning standards; and

- the collection of qualitative information on the education system (OECD, 2017, p. 228^[3]; OECD, 2013^[23]).

Placing special attention on the impact evaluation of equity targeted funding programmes...

34. Many countries show considerable commitment to supporting students at risk of underperformance with targeted financial resources. In order to determine the extent to which these resources meet students' needs, they should be accompanied by a careful evaluation of their impact on relevant student groups, such as socio-economically disadvantaged students, students with a migrant background, or students with special education needs. Analysing the relationship between investments in equity and student outcomes can be a key step to understanding what works to improve equity in schooling. The success of this hinges on the formulation of clear equity targets, indicators and the collection of sufficiently disaggregated data to measure their attainment (OECD, 2017, p. 229^[3]).

... and in multi-level systems, the development of integrated data systems and a culture of budget reporting and evaluation at all levels of the system

35. As a result of governance arrangements and split responsibilities, data on different aspects of the school system are often split across multiple levels of governance and institutions. This can obfuscate resource flows and prevent a full picture of educational inputs, processes and outcomes. Countries should seek to integrate existing databases and information on resource use and educational results in order to monitor resource effectiveness, facilitate better decision making, and improve transparency. In decentralised school systems, integrated data systems should also make disaggregated data available to sub-central levels of governance. Common reporting standards for budgeting and accounting can ensure data comparability across the system (OECD, 2017, p. 228^[3]). Particular emphasis should also be placed on developing analytical capacity, systematic and robust processes of policy and programme evaluation, a culture of using evidence as well as strategic budget planning processes that accord a central place to the use of evidence (OECD, 2017, p. 228^[3]).

36. Promoting transparency around budgets and the use of financial resources at all relevant levels of the school system can support the evaluation process. Budgetary reporting can provide decision makers with clear information about resource use on which to base their decisions and facilitate the robust analysis of financial and non-financial data and thus enhance the quality of policy decisions. At the central level, authorities should provide information about expenditures by levels of education and different sub-sectors, different expenditure categories, localities or even individual schools, as well as information about the sources of funds for investment in the school system. This can strengthen public participation and oversight. Budgetary reporting should also be linked to evidence about the quality and equity of the school system in relation to established policy objectives and targets. This could help to communicate the goals of the investments in the school system and build social consensus about fiscal efforts for schooling. To this end, countries can develop a national reporting framework that brings together financial indicators and performance indicators, including information on the learning outcomes for students at risk of low performance (OECD, 2017, p. 231^[3]).

Strategically using evaluation and research evidence in the budgeting process and the development of budget proposals

37. Effectively planning the use of educational resources relies on the systematic mobilisation of evidence generated through research, evaluations and monitoring activities. Evidence on the efficiency of spending choices should inform discussions among stakeholders and help the responsible authorities take informed decisions throughout the budget preparation process. To inform evidence-based budget planning effectively, the data generated by evaluation activities should explicitly assess the impact of programmes and policy initiatives, ideally relating it to previously established objectives and cost information. Systems

should also consider ways to integrate evaluations into their school funding mechanisms in order to orient their approach to budgeting and financial management towards a greater focus on outcomes and outputs (see the example from the Flemish Community of Belgium in Box 4).

38. If they are well co-ordinated with the budgeting process, spending reviews can prove another important source of information to support efficient spending choices. To this end, the timing and frequency of spending reviews should be aligned with central-level budget planning procedures to ensure that concrete saving options are identified and presented to the political leadership at a time when they can be considered alongside the cost of newly proposed policy initiatives (OECD, 2017, p. 181^[3]).

Establishing fora for professional discussion of evaluation and spending review results and evidence, across different ministries and agencies and across all levels of the system

39. The effective integration of evidence generated through research, evaluations and spending reviews into the policy-making and budgeting process can be facilitated by fostering dialogue between ministries and agencies and across all levels of the system. The successful implementation of education policies requires careful policy design, effective communication and inclusive stakeholder involvement. Education ministries are uniquely positioned to address these challenges, connect resourcing strategies to educational priorities, and build strong partnerships to work towards them. Finance ministries, on the other hand, can play a key role in supporting education ministries with relevant expertise during the budgeting process, including to identify potential efficiency gains and work towards aggregate fiscal integrity. Fostering dialogue between ministries of finance and education can also serve to identify where horizontal support, guidance and the strategic use of tools like spending reviews can improve the budgeting process. At times of increased fiscal scrutiny, strengthening the collaboration between ministries of finance and ministries of education is therefore more important than ever.

40. Education systems should also create fora that foster co-operation between researchers and policy makers as well as institutions that can act as knowledge brokers and strategically consolidate, evaluate and disseminate evidence to facilitate its integration into the budgeting processes. Particularly in decentralised systems, school principals and local authorities should be encouraged and enabled to use data and research evidence for budgeting purposes through training as well as vertical and horizontal support. It is important to ensure that stakeholder groups can contribute to discussions regarding the design of evaluations, the evidence collected and the interpretation of evaluation outcomes (OECD, 2017, p. 181^[3]).

Strengthening sub-central capacity for the budgeting process

Regional and local actors and even school authorities are increasingly involved in budget planning and resource allocation

41. Given the trend towards decentralisation in many OECD countries, the relationships between central governments, ministries, regional and local actors as well as their respective responsibilities in the education budgeting process have been subject to change (see the note for Session 2.A). In some systems, local authorities are increasingly involved in resource planning, assuming responsibilities both for the allocation and budgeting of locally raised resources and for administering central grants. Local and regional actors may thus be responsible for developing budget proposals that outline the use of financial resources or their further distribution among sub-central levels of administration and schools (OECD, 2017, p. 169^[3]). In some systems, even school-level authorities enjoy a high degree of autonomy in planning their budgets and allocating resources.

42. Giving local authorities and school leaders greater responsibility during the budget development and planning process can strengthen their accountability and promote their ownership of the budget. It can

also enhance their ability to use their operational knowledge of the local context in order to efficiently and effectively respond to local challenges and needs. However, enabling local authorities and school leaders to perform this task adequately requires a commitment to developing capacity at both the central and local levels (OECD, 2017, p. 171^[3]). While school and sub-system authorities require technical skills to prepare and monitor budget plans, the central level requires the capacity to oversee and provide effective guidance for the decentralised planning process (IIEP-UNESCO, 2010^[6]). Particularly smaller communities often lack the training or resources to engage in strategic budget planning. Making budgetary autonomy work may therefore require an investment in local administrative personnel as well as effective self-evaluation and accountability mechanisms (OECD, 2017, p. 159^[3]).

In decentralised systems, the roles, responsibilities and degree of autonomy of sub-central authorities over budgeting and spending vary greatly across countries

43. Although the trend towards fiscal decentralisation has not been universal by any means, local authorities have become increasingly involved in resource planning processes in many OECD countries. The extent of local actors' responsibilities varies greatly. In some cases, local and regional actors are responsible for developing budget proposals that outline the use of financial resources or their further distribution among sub-central levels of administration and schools, based on regulations and requirements inscribed in national legislation, Education Acts and other statutes. Other decentralised systems issue fewer prescriptions concerning the use of particular budgeting and accounting procedures at the sub-central level, leaving the process to local actors to define. In **Denmark**, for instance, each municipality is responsible for devising and implementing its own budget planning approach (Nusche et al., 2016^[7]).

44. Likewise, the responsibility of schools in the budgeting process can take different forms, ranging from systems that give schools little to no control over the allocation of their resources to systems that give schools wide-ranging autonomy over the planning, execution and monitoring of their expenditure (OECD, 2017, p. 170^[3]) (see Box 5).

Box 5. Schools' budgeting responsibilities in selected OECD countries

In **Estonia**, leaders of municipal schools submit their budget proposals to be approved by the municipal authorities, while the central education authority is responsible for approving state school budgets (Santiago et al., 2016^[11]).

In **Lithuania**, as in a number of OECD systems, school boards play a more active role in the budget planning process. They are typically composed of staff, parents, students and sometimes community representatives and approve school budgets and often take part in budgeting decisions concerning the use of personal income tax revenues (Shewbridge et al., 2016^[24]).

In the **Flemish Community of Belgium**, school boards, which are responsible for the governance of one or multiple schools, enjoy a high degree of autonomy concerning their use of resources and are responsible for setting up their own budgeting and accounting systems in compliance with the rules and procedures of their educational network (Flemish Ministry of Education and Training, 2015^[25]).

Sources: Santiago, P. et al. (2016^[11]), *OECD Reviews of School Resources: Estonia 2016*, <http://dx.doi.org/10.1787/9789264251731-en>; Shewbridge, C. et al. (2016^[24]), *OECD Reviews of School Resources: Lithuania 2016*, <http://dx.doi.org/10.1787/9789264252547-en>; Nusche, D., et al. (2015^[19]), *OECD Reviews of School Resources: Flemish Community of Belgium 2015*, <http://dx.doi.org/10.1787/9789264247598-en>.

There is also variation in the extent and modalities of guidance and support received from central authorities for budget planning and management at lower levels of the system

45. Even in systems with extensive local budgeting autonomy, there are several ways in which the national or regional level can assist local actors in the management of financial resources. In countries like the **Czech Republic**, **Estonia** and the **Slovak Republic**, schools or school owners are provided resources to employ specialised administrative staff such as accountants and budget officers (Shewbridge et al., 2016^[26]; Santiago et al., 2016^[11]; Santiago et al., 2016^[27]). Likewise, some countries ensure that training on financial resource management and goal-oriented budgeting is integrated into professional development strategies for local and school-level leaders (OECD, 2017, p. 159^[3]).

46. Central education authorities can also develop guidelines to assist with school finance and management procedures, provide feedback on the progress towards education goals, and co-ordinate the co-operation among actors across education levels for a whole-of-system approach to budgeting (Burns and Cerna, 2016^[18]). Guidance and requirements may be communicated through different methods, such as budget circulars, budget laws, generally accepted accounting standards, charts of accounts, and budget classifications. Furthermore, ministries of education and their budget planning units or ministries of finance may provide intermediate authorities with guidelines concerning financial management in education as well as budgeting and accounting practices (OECD, 2017, p. 169^[3]; Fakharzadeh, 2016^[5]).

47. In many countries where school leaders or school boards are responsible for planning their own budgets, the type of information they use in the process is at their discretion. However, to support local budgeting, several countries have developed central consulting and advisory services that act as knowledge brokers, offering their services to schools and supporting them in making strategic spending choices. Box 6 describes how such forms of vertical and horizontal co-operation support local actors in **Denmark** in assuming their responsibility for strategic budgeting.

Box 6. Supporting local budget planning in Danish schools and municipalities

Danish school leaders enjoy extensive responsibility for the development of school budget plans and a high level of autonomy in their spending decisions since the largest part of school funding is not earmarked. To support school leaders in their resource management decisions, the Danish education system provides a number of support and accountability mechanisms. Municipal education offices in Denmark help school leaders with technical aspects of school budgeting such as accounting and book-keeping, which allows principals to concentrate more on the strategic and pedagogical organisation of the school. In addition, municipalities co-operate with schools in the delivery of services and can help them achieve scale economies, for example by buying materials and services for several schools at the same time.

School boards play a formal role in approving school budgets, adding a degree of horizontal accountability to the budgeting process. The 2014 Folkeskole reform has therefore provided the national parents' association with financial support to further develop the competences and professionalism of school boards so they can exercise this role effectively. If the biannual quality reports prepared by the municipalities provide evidence of consistent underperformance in some schools, the central level can provide additional support and recommend municipalities and schools to work with central learning consultants to improve processes and outcomes. In addition, the Ministry of Children, Education and Gender Equality has created a "resource centre for the Folkeskole" which mobilises knowledge to complement local expertise with research evidence.

Sources: Nusche, D. et al. (2016^[7]), *OECD Reviews of School Resources: Denmark 2016*, <http://dx.doi.org/10.1787/9789264262430-en>; Reproduced from OECD (2017^[3]), *The Funding of School Education: Connecting Resources and Learning*, <http://dx.doi.org/10.1787/9789264276147-en>, Box 4.3.

48. The centralised provision of electronic budgeting platforms or the supply of relevant data through central information management systems can be another way for the central government to support schools and local authorities in their budget planning activities (OECD, 2017, p. 160^[3]; OECD, 2013^[23]). Examples of such central information systems to support school-level budgeting practices include the following:

- All schools in **Iceland** have access to IT systems supporting their budgeting and accounting procedures. The systems are provided by the central government and the respective municipalities but do not comprise tools that are specifically geared towards the planning of financial resources (Icelandic Ministry of Education Science and Culture, 2014^[28]).
- In **Estonia**, larger municipalities have developed remote electronic accounting systems for their schools. These systems relieve schools of the costs of keeping their own accounts while also giving them the ability to monitor their budgets on a day-to-day basis (Santiago et al., 2016^[11]).
- **Lithuanian** schools are supported in their budgeting and accounting through the ministry's education management information system (EMIS) which gives them ready access to various indicators from student teacher ratios and class sizes to school buildings' surface area per student and heating costs (Fakharzadeh, 2016^[5]).

Some promising strategies and lessons for policy makers include...

Strengthening local capacity and accountability for the management of financial resources

49. The active involvement of local actors and school authorities in the budgeting process can help leverage their operational knowledge in order to efficiently and effectively respond to local challenges and

needs. However, the success of decentralised decision making requires a commitment to building technical and strategic capacity at the local level and extending central support. It also relies on governance arrangements that ensure each level of government is accountable for the specific spending decisions it takes. Oversight of the use of school funding at the local level can help ensure that decisions on the use of financial resources meet local needs and provide conditions for strong local accountability. However, sub-central authorities may have little capacity for the monitoring and evaluation of how their use of funding relates to teaching and learning. Central education authorities and central inspection services can play an important role in providing complementary expertise and in evaluating the pedagogical aspects of school operations (OECD, 2017, p. 230^[3]).

Strengthening school capacity and accountability for the management of financial resources whenever schools have budgetary autonomy

50. In countries where schools have significant autonomy over the management of school funding, the effectiveness of its use should be an integral part of external school evaluations, school self-evaluations and school leader evaluations. This can help to promote a more effective use of resources that takes into account pedagogical considerations and the impact of resource use on teaching and learning. Evaluating the effectiveness of the use of funding at the school level should go beyond considerations of compliance. It should also assess how schools use their funding to promote the general goals of the school system, how they implement their school development plan and ultimately improve teaching and learning for all students based on a common vision of a good school. It should combine both pedagogical and financial aspects of school operation, and review how resource use affects the achievement of strategic goals and the quality of teaching and learning. The information from external and internal evaluations should result in helpful feedback to schools to inform their decision making on how to make better use of their resources and promote school development (OECD, 2017, p. 229 f.^[3]).

51. It is important to build the evaluation and monitoring capacity of school leaders and school boards. School leaders need to be able to collect and report data on school budgets and student outcomes to their responsible authorities as well as the school community in effective ways. Central authorities could provide exemplars of good practice in data analysis, reporting and communication to make sure some minimum requirements are met. The school community, including teachers, should have a prominent role in monitoring the use of funding at a local level as part of their overall role for school development and receive training in this area. This should involve identifying key groups of stakeholders and ensuring that they all have a voice in school boards without any group dominating. Providing school boards with the tools to interpret and analyse data and other evaluation processes can be an important part of giving them the expertise they need to take part in multiple accountability systems (OECD, 2017, p. 230^[3]).

52. Broader strategies to build local and school capacity should also pay attention to the competencies of education administrators for implementing financial monitoring and evaluation processes. This should involve training in skills to make connections between resource use decisions and the quality of teaching and learning and the ability to use the resulting data for improvement. A review of existing approaches by different sub-central authorities can serve to identify and share examples of good practices. In decentralised systems with incipient monitoring and evaluation practices by sub-central education authorities, establishing reporting requirements may provide a stimulus to develop evaluation practices. However, it is important to bear in mind that such reporting requirements increase administrative burdens on local actors and may also encourage authorities, and thus schools, to focus on the goals that they are required to report on. Formulating competency profiles for local officials can also be one way to clarify expectations (OECD, 2017, p. 230^[3]).

Questions for discussion

- What are the main challenges in your country related to:
 - ...the budgeting process and the planning and monitoring of school funding?
 - ...the evaluation and review of school expenditure?What strategies are used to address those challenges?
- Are reforms being envisaged in your country to the planning and monitoring of the central education budget or the planning of resource use at other levels of the system? What is motivating those reforms and what are they trying to achieve?
- How do the finance and education sectors interact and collaborate in the planning of the education budget or the evaluation of programmes and policies? Has this collaboration led to efficiency gains? How could such collaboration in these areas be strengthened in the future?

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