

Chapter 4

Planning the use of school funding

This chapter describes practices and procedures involved in planning the effective use of school funding among OECD review countries and analyses the challenges involved in the process. First, the chapter reviews how budget planning procedures can be linked to educational targets and priorities as well as research and evaluation results to strategically guide the planning process and employ resources as effectively and equitably as possible. Following an overview of budget planning practices from the central to the school level, the chapter then discusses different techniques employed to render the process more flexible, responsive and efficient. Based on this overview and drawing on the OECD analysis of country practices, the chapter then explores how multi-annual perspectives and the effective use of targets or evaluation results can support the development of more efficient and effective planning procedures.

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.

The process leading up to the formulation and implementation of funding plans is a key stage of the budgeting cycle. It provides an opportunity to reflect upon previous expenditure and future resource needs in order to develop financially sustainable budgets that support the provision of high quality education and effectively address policy priorities. Following this brief introduction, the chapter describes the practices and procedures underpinning the planning of school funding in different OECD and partner countries. First, it reviews different approaches to linking planning procedures to educational targets and strategic priorities as well as research and evaluation results. Second, it provides an overview of specific budget planning practices at the central, the intermediate and the school level. Third, the chapter discusses different techniques used to render the planning process more flexible, responsive and efficient. Based on the OECD review of country practices, the chapter then concludes with a set of policy options aimed at developing more effective planning procedures. Relevant data from the OECD review's qualitative survey is presented in the chapter annex.

Linking budget planning to policy objectives

As policy objectives evolve, countries face the challenge of aligning their funding strategies to best support these goals. Although countries emphasise them to different degrees at different times, typical education objectives include educational quality (e.g. improving overall achievement, improving the competencies of the teaching workforce), equity and inclusiveness (e.g. additional support for students from a low socio-economic background; integration of special needs students in mainstream schools), expansion (e.g. widening access to pre-primary education, diversity of offerings in secondary education) and excellence (e.g. targeting high performers). As a means to align their funding strategies with these objectives, 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. To facilitate the integration of education strategies into the budgeting process, some countries have placed particular emphasis on developing clear targets, corresponding indicator frameworks and mechanisms to report on the system's use of resources to achieve these goals. This chapter focusses on the formulation of educational objectives and their connection to spending decisions, while Chapter 5 elaborates on the corresponding monitoring and evaluation procedures.

Formulating priorities and objectives

Effectively using education objectives to inform spending decisions 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. Particularly in school systems with decentralised resource management responsibilities, the definition of 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 (Nusche et al., 2016a). Box 4.1 provides an example from Denmark, showcasing the formulation of education priorities as a means to support the reform process in a decentralised budgeting system.

Box 4.1. National targets guiding reform 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. (2016a), *OECD Reviews of School Resources: Denmark 2016*, <http://dx.doi.org/10.1787/9789264262430-en>.

Many countries face challenges in establishing a shared understanding of educational quality that is suited to inform the planning of efficient resource use. In some countries, the use of idiosyncratic criteria, conflicting definitions or a failure to raise awareness of existing standards among all actors of the education system has created a lack of agreement over standards for educational quality. In Lithuania, for example, school and local level planning and evaluation are largely guided by idiosyncratic criteria, although the central level provides a framework for external school evaluation that sets out a detailed list of quality standards and 67 corresponding indicators (Shewbridge et al., 2016a). Likewise, not all countries set target dates for the completion of their educational objectives as part of planning process, which results in the absence of clear timeframes that could be used to subsequently evaluate spending decisions (Santiago et al., forthcoming).

Connecting spending decisions to targets and priorities

Education targets and priorities can be used to inform different stages of the budgeting process across administrative levels to ensure that the use of resources is aligned with educational objectives. An increasing number of OECD countries are making 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).

Although countries increasingly integrate annual budgets into strategically oriented medium-term expenditure frameworks (MTEFs), not all MTEFs are guided by concrete targets and priorities. For example, the five-year education budgets used in Uruguay were weakly linked to medium- and long-term strategic goals until annual targets and corresponding indicators were introduced with the most recent 2015-19 Budget Plan (Santiago et al., 2016b). Austria is another country that has taken significant steps to strengthen the link between spending decisions, performance and policy priorities by moving towards a performance-oriented budgeting approach at the national level. 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., 2016b). 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., forthcoming).

However, even where performance- or outcome-oriented budgeting norms are followed at the national level, they are not always 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 4.2). 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 (IIEP-UNESCO, 2010).

Kazakhstan provides an example for strategically informed budgeting in a highly centralised planning system driven by an extensive system of norms which ensure that decisions issued at the central level filter down to local and school authorities. Strategic documents guiding the short-, medium- and long-term strategy contain specific indicators and targets which are translated into local implementation plans by intermediate authorities and regularly monitored for progress (OECD/The World Bank, 2015). Centralised top-down approaches provide clear expectations and priorities, ensure policy continuity and facilitate the monitoring of progress towards policy goals. On the other hand, limited spending discretion at the local level and a lack of consultation with stakeholders in the budgeting process will constrain the ability of school and local authorities to employ the mix of inputs deemed most appropriate to meet their local needs and efficiently deliver quality education. The engagement of a broad set of stakeholders and opportunities for participation are key to facilitating meaningful exchange, designing long term reforms and ensuring that education strategies adequately reflect resource needs across geographic and administrative areas of the system.

Box 4.2. Strategic 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.

Source: Santiago, P. et al. (2016a), *OECD Reviews of School Resources: Estonia 2016*, <http://dx.doi.org/10.1787/9789264251731-en>.

Developing local capacity and providing support for strategic budgeting

Decentralising resource management responsibility and involving schools or local authorities in the implementation of strategic budgeting frameworks requires capacity at both the central and local level. While school and sub-system authorities require technical skills to prepare and monitor plans, the central level requires the capacity to oversee and provide effective guidance for the decentralised planning process (IIEP-UNESCO, 2010). 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 (see Chapters 2 and 5). In some of the OECD review countries where schools bear significant responsibilities for the management of financial resources, like the Czech Republic, Estonia and the Slovak Republic, schools or school owners employ specialised administrative staff such as accountants and budget officers (Santiago et al., 2016a; Santiago et al., 2016b; Shewbridge et al., 2016b). Strengthening the capacity for effective budgeting at the sub-central level may also require training on financial resource management and goal-oriented budgeting to be integrated into professional development strategies for local and school-level leaders.

At the same time, even in systems with extensive local budgeting autonomy, the national or regional level can play an important role, not only in planning, triggering and steering education reform with a longer term systemic vision, but also in assisting local actors in the planning of their budget. Central education authorities can develop guidelines to assist with school finance and management procedures, provide feedback on the progress towards education goals, and co-ordinate the co-operation of actors across education levels for a whole-of-system approach to budgeting (Burns and Cerna, 2016). Several countries have also 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 4.3 describes how such forms of vertical and horizontal co-operation support local actors in Denmark in assuming their responsibility for strategic budgeting. The centralised provision of electronic budgeting platforms and 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, as illustrated in Box 4.3 (OECD, 2013c).

Box 4.3. Supporting budget planning activities at the sub-central level

Supporting budgeting and resource management 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 bookkeeping, 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 (Nusche et al., 2016a).

Box 4.3. Supporting budget planning activities at the sub-central level (cont.)**Supporting school-level budgeting practices through central information systems**

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).

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., 2016a).

Lithuanian schools are supported in their budgeting and accounting through the ministry's education management information system (EMIS) which gives them ready access to indicators such as the average school area per single student or heating costs (Fakharzadeh, 2016).

Source: Nusche, D. et al. (2016a), *OECD Reviews of School Resources: Denmark 2016*, <http://dx.doi.org/10.1787/9789264262430-en>; Icelandic Ministry of Education, Science and Culture (2014), *OECD Review of Policies to Improve the Effectiveness of Resource Use in Schools: Country Background Report for Iceland*, www.oecd.org/education/schoolresourcesreview.htm; Santiago, P. et al. (2016a), *OECD Reviews of School Resources: Estonia 2016*, <http://dx.doi.org/10.1787/9789264251731-en>; Fakharzadeh, T. (2016), "Budgeting and Accounting in OECD Education Systems: A Literature Review", *OECD Education Working Papers*, <http://dx.doi.org/10.1787/5jm3xgsz03kh-en>.

Using data and evaluation results in the budgeting process

The effective planning of education funding strategies and reform initiatives requires not only the identification of future resource needs, but also the systematic mobilisation of knowledge generated through research, programme evaluations, monitoring and audit activities (Fazekas and Burns, 2012). Chapter 5 provides a detailed description of different approaches to collecting and reporting data on resource use, monitoring activities and managing relevant information. This section is concerned with the way information on previous budget executions, evaluation results and research evidence are employed to support ministries at the budget preparation stage, increase the efficiency of spending decisions and inform future reform initiatives during both the design and the implementation phase.

Strategic employment of evaluation results, value-for-money analyses and spending reviews

Evaluation results can be used to inform decisions throughout the budgeting cycle and serve as a basis for professional discussions among stakeholders concerning future 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). 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). 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 (Santiago et al., forthcoming).

Two evaluation techniques that explicitly aim to support effective spending decisions in the planning of educational resources are cost-benefit analysis and cost-efficiency analysis.

Both constitute value-for-money analyses that weigh the expected or observed benefits of education programmes, policies or investments against the costs of their implementation in order to ensure the efficient and effective use of resources and increase the transparency of budgeting decisions. Cost-benefit analysis and cost-efficiency analysis can take a variety of forms and be employed *ex ante* to compare the anticipated consequences of alternative spending proposals or *ex post*, as a means to evaluate the impact of programmes and policies after their implementation (Fakharzadeh, 2016). Both cost-benefit analysis and cost-efficiency analysis procedures can, under certain circumstances, provide spending authorities with valuable information to inform budget planning procedures, help them choose between projects and policy options, determine the scale and timing of investments and decide on the expansion or continuation of existing projects.

While cost-efficiency analysis takes a particular outcome or target as its starting point and compares the relative cost of different ways to achieve it, cost-benefit analysis aims to provide a holistic comparison of policy options, taking into account all of their associated costs and outcomes by expressing both inputs and benefits in explicit monetary terms. In most OECD countries, these types of analyses are used primarily to evaluate system-level investments in capital projects, with 17 of 32 countries reporting to use some type of value-for-money analysis in the evaluation of all capital investments, another 11 countries using it for capital projects that exceed a certain cost and 9 employing it on an ad hoc basis (OECD, 2014). Cost-benefit and cost-efficiency analyses are less consistently used to inform the budgeting process for other types of education expenditure. Given the difficulties involved in translating the benefits of education programmes (from social mobility and reduced dropout rates to better employment prospects) into monetary values (see Chapter 1), cost-benefit analyses in particular are less frequently used in the education sector than they are in other policy areas (Münich and Psacharopoulos, 2014).

In light of the uncertainty and complexities involved in value-for-money analyses, most decision makers use them to complement, rather than substitute for other sources of information during the budgeting procedure, acknowledging their limitations and underlying assumptions (Münich and Psacharopoulos, 2014). Although the scope to perform rigorous cost-benefit analysis and cost-efficiency analysis in the education sector may be restricted by data limitations and other constraints, 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).

Since the financial crisis in 2008 and the increased fiscal consolidation pressures that followed, spending reviews have gained importance as another tool to implement strategic savings through the budgeting process, offering a procedure for “developing and adopting savings measures, based on the systematic scrutiny of baseline expenditure” (Robinson, 2014). 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 (Robinson, 2014).

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). 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 (Robinson, 2014).

While spending reviews have traditionally been used by countries on an ad hoc basis, they are increasingly integrated into budget preparation processes (Fakharzadeh, 2016). 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 so as 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). 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 (Robinson, 2014).

Use of performance information in the budgeting process

Although there has been a general trend towards a greater emphasis on output criteria and performance information in the budget preparation and planning process (see Chapter 1), there is no consensus on the optimal use of performance data and the way it is employed to inform spending decisions varies considerably across systems (OECD, 2014). Broadly conceived, performance budgeting implies using information on what spending agencies are expected to accomplish with the resources they are allocated. As described above, this approach can entail the specification of measurable objectives and performance indicators for government programmes, the inclusion of targets and expected outcomes alongside expenditure information in budget documents as well as measuring, reporting and evaluating the results of government expenditure and using this information for strategic planning and budgeting (de Jong et al., 2013). Even among countries that routinely integrate performance targets into their budget documents, the use of performance information as a basis to decide future spending allocations is less frequent and often limited.

The information used for performance budgeting purposes can originate from multiple sources and take a variety of forms including operation and performance reports generated through regular evaluation practices, findings from spending reviews as well as various indicators pertaining to resource inputs, outputs and efficiency (Fakharzadeh, 2016; OECD, 2014). The means by which performance data influences spending decisions varies, ranging from its merely presentational use to direct links between performance measures and resource allocation (Curristine, 2005). Most commonly, the link is indirect and performance data serves as one of multiple types of information which decision

makers consult for planning and allocation purposes. In theory, performance-based planning and allocation procedures can be used at different levels of the education system and at various points during the budgeting process.

Use of performance information at the system/programme level

Many OECD countries employ central-level frameworks that specify guidelines for the use of performance data during their budgeting processes. In most cases, the link between performance data and central-level spending decisions is flexible, suggesting that countries use performance information to inform budget allocations alongside fiscal considerations and policy priorities, rather than directly to allocate resources. In 2011, line ministries in OECD countries reported to draw on performance data for a variety of purposes during their budget negotiations with the Central Budget Authority (CBA), including decisions to allocate funding to specific programmes, strategic planning and prioritisation, increasing or reducing spending and, more rarely, terminating existing programmes. Still, around a third of OECD countries reported that line ministries make no use of performance information during the budget negotiations at all (OECD, 2014).

Correspondingly, systems differ in their response if performance goals are not met. In a few cases, the failure to meet targets can have direct funding consequences, resulting in the decrease, increase or freezing of the programme's budget. In other cases, poor performance is made public or initiates the intensified monitoring of organisations or programmes. In some systems, missed performance targets entail consequences for a programme's leadership evaluation or prompt the allocation of additional staff and training to agencies, yet few countries have automatic response mechanisms in place (OECD, 2014; OECD, 2013b).

Multiple reasons account for the limited use of performance data in the central level budgeting process. Given the difficulty involved in formulating appropriate performance indicators for the education sector alone, producing performance data or evaluation outputs that allow for strategic comparisons across programmes and ministries is complicated. This can also involve trade-offs between the comparability of evaluation results across sectors and their relevance for the resource decisions faced within the respective ministries. Even in countries with a strong evaluation culture, the decentralised way in which performance evaluations are conducted with a view to informing budgeting practices within specific ministries and agencies can therefore limit their use for budgeting processes at higher levels of authority (Shaw, 2016). Furthermore, using performance data to inform the budget preparation can be difficult in systems whose budget documents and procedures are organised along the lines of inputs, rather than output or outcome measures (see the section on programme budgeting below).

Use of performance information at the school-level

Performance data can also inform allocation decisions at the regional, local or school levels. The use of performance data for budgeting purposes and its impact on educational quality and efficiency is subject to debate and highly dependent on the context and details of its implementation. While performance-based allocation mechanisms have the potential to bring improvements to institutions' efficiency, increase accountability and encourage educational improvement, tying the allocation of resources to performance measures can also have undesired and unintended consequences. Besides the risk of exacerbating existing imbalances in the distribution of resources, performance-based components in the funding of individual schools can set perverse incentives resulting in

lower quality standards or risk-avoiding behaviour among teachers and school leaders (Santiago et al., 2016b).

For example, funding vocational education and training programmes based on output criteria like completion rates may encourage institutions to improve student retention and increase their efficiency. However, performance-based funding criteria need to be designed with great care to avoid undesired consequences such as encouraging an excessively narrow focus on easily attainable and measurable outputs, the provision of short and easy-to-pass qualifications, a lowering of examination standards or cream-skimming practices that remove services from the students who need them the most (Papalia, forthcoming). Introducing performance-based funding components at a small scale, such as 2%-5% of funding, may suffice to draw attention to output measures and provide institutions with the desired incentive to improve educational quality without encouraging an excessively narrow focus on specific performance measures (Santiago et al., 2016a). As described in Box 4.4, Finland has implemented a performance-based funding system for VET education building on this principle. Regardless of the funding instrument's specific characteristics, the implementation of performance-based funding should be preceded by a pilot phase in a limited number of schools to carefully monitor its effects.

Box 4.4. Performance based funding for vocational secondary schools in Finland, 2006

Finland introduced the performance-based funding of VET providers in 2002, granting education providers additional state subsidies based on their performance. The system became a part of the country's unit price determination system in 2006 and makes up approximately 2% (roughly EUR 20 million) of the entire vocational education funding. The performance-based allocation of resources is based on a composite index that is composed of the following indicators (their relative weight is shown in brackets):

- Effectiveness: job placement (40%) and further studies in higher education (15%).
- Processes: dropouts (15%) and ratio of qualification certification holders to entrants (13%).
- Staff: formal teaching qualifications (11%) and staff development (6%).

Source: Kyrö, M. (2006), "Vocational education and training in Finland: Short description", *Cedefop Panorama Series*, No. 130, Office for Official Publications of the European Communities, Luxembourg.

In Denmark, the government operates a so-called taximeter system to allocate education resources to vocational and upper secondary schools. As part of this system, grants are allocated, among other criteria, based on the number of students enrolled in and completing their education at the individual school or college and afford them a high degree of budgetary autonomy (Houlberg et al., 2016). The taximeter system constitutes an activity-based budgeting tool that provides incentives for schools to increase their performance and efficiency, in particular by improving their student retention and reducing dropout rates.

Developing capacity for the use of data and research evidence across the system

Many OECD countries lack effective mechanisms to strategically integrate data and educational research into the process of evidence-based resource planning (OECD, 2007; Santiago et al., 2016b). Cross-country research indicates that systematic weaknesses in the ability to use data and research evidence can appear at every level of governance (Burns and

Cerna, 2016). As many systems devolve planning and budgeting powers to sub-central authorities, some have taken active measures to synthesise research evidence and feed the results back into the system to support principals and local actors in assuming these new responsibilities effectively.

The effective integration of research evidence into the policy-making and budgeting processes can be facilitated by developing fora that bring together researchers and policy makers to share relevant research evidence and discuss its application, as well as institutions that assess the legitimacy and rigour of research evidence, build trust and increase the co-operation between the policy and research communities (OECD, 2007; Santiago et al., 2016b). This may involve strengthening the capacity and mandate of existing evaluation bodies to assume a more active role as knowledge brokers and tasking them with strategically consolidating evidence from across the system and disseminating it to support policy development and budgeting procedures (Santiago et al., 2016b).

Key procedures and tools for planning the use of school funding

This section provides an overview of the procedures involved in the development of education budgets. It looks at each stage of the budgeting process from the initial planning phase to the budget's adoption as well as the distribution of responsibilities across different governmental actors throughout this process. Furthermore, the section presents planning procedures that can support the budgeting process at the central, sub-central and school-levels as well as forecasting techniques and multi-annual approaches to budgeting.

Stages of the budgeting process

In the most general terms, the budgeting process can be described as a succession of five stages consisting of: i) the budget preparation; ii) its review and adoption; iii) the budget implementation and execution; iv) parliamentary control of the budget implementation and v) financial reporting and external audit (OECD, 2004). This chapter looks into the planning stages of the budget preparation, review and adoption while the monitoring and control of its implementation as well as reporting and external audits are discussed in Chapter 5. Although the budgeting process involves different administrative levels contributing to and sharing decision-making responsibilities at each of these stages, a central budgeting authority (CBA) is usually responsible for co-ordinating the budgeting process at the central level, providing its timeframe, procedural rules and guidelines. In most OECD countries, the CBA is also charged with overseeing the development and submission of the final budget and is located in the Ministry of Finance or Economy. Exceptions to this rule include Australia, Canada and Ireland, where authority over the budgeting process is shared between several government entities, the United States, where it is located in the President's office and Belgium, where the CBA is part of the Federal Public Service Budget and Management Control (OECD, 2014).

Budget preparation and negotiation

The annual preparation of central education budgets conventionally requires education ministries to submit a budget proposal that is subject to negotiations with the CBA before it can be approved and implemented. Prior to the budget's initial draft, finance ministries may impose expenditure ceilings on ministries using a top-down approach, limiting the level of resources which education ministries have at their disposal when preparing their budgets. By contrast, in countries following a strict bottom-up approach, ministries and agencies

submit budget requests and new spending proposals first, which the ministry of finance then takes into account when determining the ministries' final budget allocations (Fakharzadeh, 2016).

Few OECD countries, including France, Hungary and the United States, report to provide no ceilings for the initial budget requests of their line ministries (OECD, 2014). Imposing top-down ministerial budget ceilings is typically seen as a proactive way for the finance ministry to ensure that aggregate spending targets are not exceeded due to bottom-up spending pressures from individual ministries. It may also involve a greater responsibility among line ministries to use their operational knowledge to determine the most efficient allocation of resources while the CBA takes responsibility for controlling the aggregate spending level and providing line ministries with advice and technical support, such as expenditure projections for specific programmes (OECD, 2014). When defining ministerial budget ceilings, finance ministries may take into account executive policy priorities and forecasts alongside information such as previous spending levels. The resulting spending ceilings vary in their flexibility, sometimes allowing for the reallocation of resources between ministries after their requests and policy proposals have been taken into account (Robinson, 2013).

Once ministries have drafted and submitted their budget proposals, negotiations with the ministry of finance begin, which may deal with issues such as aggregate ministerial spending levels, specific programme allocations, strategic priorities and the termination or introduction of new budget lines. This process may be governed by formal rules or established conventions and the relative power, responsibilities and procedural roles of education and finance ministries vary across budgeting systems. Budget negotiations in systems following a bottom-up procedure usually last longer than those relying more heavily on a top-down approach, since bottom-up approaches require the finance ministry to negotiate details of individual ministries' proposals in order to meet aggregate fiscal expenditure targets. Across OECD countries, these budget negotiations can last from a few weeks to multiple months. During these negotiations, various forms of information including macroeconomic and fiscal estimates and, to varying extent, performance measures may be brought in to inform allocation decisions (see below for details on this process). Although most disputes arising during the budget formulation process are resolved in lower-level negotiations, the ultimate authority to settle allocation disagreements typically rests with the Cabinet Office, the Ministry of Finance (e.g. in Denmark, Slovenia and Spain) or the Chief Executive (e.g. in Australia, Chile and France). Less frequently, the power to resolve disputes is shared between more than one of these actors or, in the case of Belgium, vested in a ministerial committee (OECD, 2014).

Budget review and adoption

Following the budget negotiations, the ministry of finance usually presents its draft budget to the legislature for discussion and proposed amendments. The parliamentary review process can involve a range of accountability and scrutiny mechanisms, including hearings, plenary debates and reviews by dedicated committees. OECD countries increasingly entrust budget or finance committees with co-ordinating the parliamentary review process, ensuring consistency in the legislative budget actions and drawing on the expertise of other sectoral committees (Schick, 2003). To allow enough time for public scrutiny, parliamentary review and debate, draft budgets are submitted to the legislature at least two months before the start of the fiscal year in the great majority of OECD countries, allowing as much as four months in countries like Denmark and eight months in the United States (OECD, 2014).

The legislature's influence over the budgeting process and its relative authority *vis-à-vis* the executive varies across countries. In most systems, the parliament needs to adopt budgets before they can be implemented, yet in countries such as Greece or Ireland, its role is confined to approving or rejecting the budget proposal. Most OECD legislatures enjoy some power to amend the budget and demand spending to be reallocated at least within the executive's overall expenditure ceiling, although the use of this power may be limited by convention and parliamentary restraint in practice (OECD, 2014). Chapter 5 provides a more detailed account of the budget's implementation and subsequent evaluation.

Budget planning at the central government level

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. 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.

In countries where the ministry of finance sets budget ceilings before line ministries draft their budget proposals, it may take into account factors such as fiscal targets for the aggregate budget, economic forecasts, past expenditure levels and policy priorities. In countries using bottom-up budgeting procedures, ministerial budget proposals tend to be more expenditure-driven, placing less emphasis on overall economic forecasts or system-wide policy priorities. 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 financial and accounting documents (Curristine, 2005). Most education ministries also have a dedicated unit that is tasked with budgetary and funding matters, such as 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). 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.

Countries draw on a wide range of information during the central-level preparation of the education budget. Among OECD review countries, all 15 education systems with such central-level planning procedures reported the use of administrative data (e.g. the number of students, teachers and schools). Ten of them also made use of 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) as well as data on student flows (e.g. dropout or transition rates across education levels) are less common and used to prepare central education budgets in 8 and 5 out of the 15 systems respectively. Eight countries reported to make use of historical allocation techniques by drawing on previous years' budget data and systems frequently consider qualitative information such as policy priorities included in strategic documents (12 of 15) and identified needs (9 of 15) when planning their education budgets. In addition, some countries consult the results of programme and policy impact evaluations (Chile, Estonia, Kazakhstan and Spain) or performance data, for example Estonia, where the success relative to national education targets is taken into account during the budget planning process (see Table 4.A1.1). Not all

countries have a systematic approach to the way this information is brought to bear on the budget planning process and the relative emphasis placed on different types of data during the formulation of initial spending ceilings, budget proposals and the subsequent negotiations may vary considerably, not least in light of the often highly politicised context in which budget negotiations take place.

The main types of education expenditure pertain to staffing, operating and infrastructure costs. Given the distinct characteristics of capital investment projects and current expenditure, 20 of 33 surveyed OECD countries used separate system-level budgets for capital and operating expenditures in 2012 (up from 15 countries in 2007). Even though some systems use “integrated budgets” covering both current and investment spending, they might still be separately accounted for before they are merged for allocation purposes (OECD, 2014). The planning tools employed in the budgeting process may vary across different expenditure types accordingly.

Particularly the planning and execution of spending on multi-year capital projects involves distinct budgeting procedures in many OECD countries. More frequently than is the case for operating expenses, decisions on the funding of capital projects are accompanied by *ex ante* value-for-money assessments. Nearly half of OECD countries reported funding the entire cost for capital projects up-front, while another 12 countries provided spending agencies with their capital funding appropriations incrementally over the course of multiple years. The remaining countries, including Austria, the Slovak Republic and the United Kingdom, determined the appropriate funding procedure on a case by case basis (OECD, 2014). In many countries, investment expenditure is also subject to distinct regulations concerning the carry-over of unspent appropriations across budgetary years and the permissibility for ministries to borrow against future appropriations.

Budget planning at sub-central levels

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 with local authorities increasingly involved in resource planning. As discussed in Chapter 2, although local actors may enjoy greater allocation and budgeting responsibilities for funds raised at their level of administration, resource raising and budgeting power do not necessarily align and some countries provide regional and local authorities with considerable responsibility for administering central grants (see Chapter 2). 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.

Not all decentralised systems issue prescriptions concerning the use of particular budgeting and accounting procedures at the sub-central level. In Denmark, for instance, each municipality is responsible for devising and implementing its own budget planning approach (Nusche et al., 2016a). Iceland provides another example, which is discussed in Box 4.5. In other cases, regulations and requirements for local budgeting procedures are inscribed in national legislation, Education Acts and other statutes. 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 (Fakhazadeh, 2016).

Box 4.5. Budget planning responsibilities at the sub-central level in Iceland

In Iceland, local municipalities are responsible for developing budgets for pre-primary and compulsory schools in consultation with local school leaders. In the aftermath of the financial crisis, Icelandic municipalities administered significant real term cuts to their education budgets, impacting operational expenditure as well as funding for the maintenance and development of facilities. The municipalities' responsibility for deciding when and how to reduce school funding and which services to prioritise or protect in the short- and medium-term underlines the need to develop the capacity for complex planning and funding strategies where such decisions are taken at the local level.

Source: Icelandic Ministry of Education, Science and Culture (2014), *OECD Review of Policies to Improve the Effectiveness of Resource Use in Schools: Country Background Report for Iceland*, www.oecd.org/education/schoolresourcesreview.htm.

Budget planning in schools

As discussed in Chapter 2, school-level authorities across countries enjoy varying degrees of autonomy in planning their budgets and allocating resources. While staff and operating expenditure are centrally controlled in countries such as Uruguay, others afford school directors extensive control over their budgets including the ability to hire and dismiss teachers or determine their salaries, as is the case in Estonia. Within countries, the discretion over resource allocation and budgeting responsibilities can also vary across school types, levels of education and types of resources.

In the case of 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. School boards, which are typically composed of staff, parents, students and sometimes community representatives, play a more active role in the budget planning process of countries such as Lithuania, where they approve school budgets and often take part in budgeting decisions concerning the use of personal income tax revenues (Shewbridge et al., 2016a). By contrast, in highly centralised systems, actors at the school level may not have any direct involvement in budgeting procedures since budgets are drafted and managed directly from the central level. Similarly, the budgets of most public primary and secondary schools in Chile are managed by local level administrators and indirectly defined through funding allocations transferred from the central level.

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. In general, the school boards of public providers need to follow the same budgetary rules as any public service while private school boards enjoy more flexibility and in some cases only have to follow the budgeting rules that apply to private enterprises or foundations. However, given that private schools receive public funding, recent changes to EU legislation which also apply to other EU member countries have mandated private school boards to align some of their budgetary procedures with those of public services (Flemish Ministry of Education and Training, 2015).

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. It often involves a combination of identified resource needs, student flow and enrolment

data. To facilitate strategic budget planning at the school level, some countries require school authorities to provide strategic development plans linking the school's education objectives to proposed expenditures. Particularly if they are integrated into a wider multi-annual budget framework adopted at different levels of the system, school development plans can play an important role in facilitating a system-wide approach to educational resource planning.

Different horizontal and vertical support mechanisms can assist schools in their budget preparation. In Denmark, for example, school boards play a formal role in the approval of school budgets (Nusche et al., 2016a). In Estonia, school boards exercise an advisory function in the preparation of school budgets and some municipalities have developed remote electronic accounting systems which relieve schools of the cost of keeping their own accounts (Santiago et al., 2016b). Giving school leaders greater responsibility during the budget development and planning process can promote their ownership of the budget and enhance their ability to use their operational knowledge of the local context to efficiently and effectively respond to local challenges and needs. Enabling them to adequately perform this task requires a commitment to developing capacity at the school and local levels, which will be further discussed below.

Multi-annual budgeting frameworks

Over the past decades, a growing number of OECD countries have adopted medium-term expenditure frameworks (MTEFs) to carry out the budgeting process with a multi-year perspective. Budgeting based on MTEFs typically involves setting expenditure ceilings for a period of three to five years, rather than issuing them on an exclusive year-by-year basis. The ceilings prescribe limits of varying detail pertaining to aggregate and ministerial spending or, less frequently, expenditure levels for specific policy areas and line items. An expenditure framework can be updated on a rolling basis (as in Austria, Germany and Sweden) by adding a new ceiling to the end of the framework period each year. Alternatively, MTEFs can be updated periodically (as in France, the United Kingdom and Uruguay), which involves drawing up a new multi-annual sequence of ceilings once a certain number of years has passed or a new cabinet period started. The individual ceilings of a multi-year framework may be fixed or subject to regular adjustments and MTEFs with budget ceilings of any kind may be complemented by “descriptive forward estimates” of government expenditure and revenue levels under different economic or policy scenarios (OECD, 2014).

By 2012, 29 of 33 surveyed OECD countries reported the use medium-term expenditure frameworks which, in most cases, need to be approved either by the cabinet office or parliament before coming into force. Countries exhibit significant variation in the legal basis and authority of MTEFs, the compliance mechanisms used to enforce their budget ceilings, the entities charged with monitoring their execution and whether the respective decision-making powers rest with the legislature or the executive (OECD, 2014). In addition, countries have taken different approaches to balancing predictability and flexibility in their multi-annual budget frameworks. Most countries, such as the Czech Republic, treat budget ceilings beyond the first year of the multi-annual framework as indicative and allow for regular revisions of the ceilings to account for unforeseen events or unexpected fiscal developments such as significant deviations from inflation targets, although a variety of restrictions and procedural hurdles may apply. Other countries, such as the United Kingdom, provide fixed ceilings for each year of the multi-annual budget, which requires forward estimates of particularly high quality to ensure the ceilings' medium-term credibility (Robinson, 2013).

MTEFs also afford varying degrees of flexibility for ministries to reallocate funding between years or organisational units and while some MTEFs only provide aggregate expenditure ceilings at the central level, other countries formulate them for ministries, agencies and individual programmes (OECD, 2014). Box 4.6 provides an example of system-level multi-annual budgeting practices in Uruguay.

Box 4.6. Multi-annual budget planning in Uruguay

Uruguay uses a multi-annual budget planning process based on a five-year time horizon and prepared in negotiations between the institutions responsible for executing the budget and those that grant and monitor it (the final approval is made by the parliament). At the start of the budget negotiations, the Central Governing Council (*Consejo Directivo Central*, CODICEN) of the National Public Education Administration (*Administración Nacional de Educación Pública*, ANEP) prepares a five-year draft budget that covers the expenditures of the ANEP, which executes the majority of public spending on school education. The draft budget is then submitted to and negotiated with the Ministry of Economy and Finance (MEF). During the negotiations, the four education councils responsible for different school sectors are invited to submit their specific spending proposals based on guidelines established by the CODICEN. The CODICEN negotiates with the MEF until a five-year budget is agreed for ANEP's activities. Typically, only part of the budget requested by ANEP is granted by the MEF and once the five-year budget is established, the CODICEN reviews expenditure plans for all education councils and assesses the availability of resources to finance the proposed expenditures.

After the budget's adoption, the MEF transfers the allocated resources to the ANEP based on three types of expenditure (staff compensation, operating expenses and capital expenditure). The ANEP has some leeway in reallocating these funds from one type of expenditure to another, for example by transferring the designated funds for staff compensation and up to 10% of the funds for capital expenditure to cover operating expenses. Following discussions with the education councils, the CODICEN executes part of the budget itself (10.4% in 2013, mainly involving capital expenditure) and allocates the remaining budget, primarily for staff and operating expenditure among the four education councils of the ANEP (INEED, 2015).

The multiannual nature of the budget induces stability in the allocation of funds and allows for spending authorities to plan expenditures over a longer time period. Although the allocations received by the councils have a degree of historical inertia, the budgeting process also allows for some flexibility to annual education budgets in response to unforeseen circumstances or the reassessment of priorities. For example, a recent drop in student enrolment has prompted surpluses in the CEIP's budget to be transferred to the budget of CETP (Santiago et al., 2016b).

Although the multi-annual budgeting process provides a good basis for medium-term planning, the five-year budgets in Uruguay have not been strongly linked to medium- and long-term strategies and educational priorities. In addition, the budget planning procedures in each of the four education councils are carried out relatively disconnected from each other, which limits the potential to align their budgets with a clear strategic vision encompassing the entire education system. Seeking to address these shortcomings, the ANEP has accompanied its 2015-19 Budget Plan with a set of annual targets covering 61 indicators for the period 2016-20.

Source: Santiago, P. et al. (2016b), *OECD Reviews of School Resources: Uruguay 2016*, <http://dx.doi.org/10.1787/9789264265530-en>.

Many countries face challenges in establishing a shared understanding of educational quality that is suited to inform the planning of efficient resource use. In some countries, the use of idiosyncratic criteria, conflicting definitions or a failure to raise awareness of existing standards among all actors of the education system has created a lack of agreement over standards for educational quality. In Lithuania, for example, school and local level planning and evaluation are largely guided by idiosyncratic criteria, although the central level provides a framework for external school evaluation that sets out a detailed list of quality standards and 67 corresponding indicators (Shewbridge et al., 2016a). Likewise, not all countries set target dates for the completion of their educational objectives as part of planning process, which results in the absence of clear timeframes that could be used to subsequently evaluate spending decisions (Santiago et al., forthcoming).

Multi-annual medium-term expenditure frameworks can guide budget planning procedures at different levels of the education system. Among the OECD review countries, 5 out of 17 reported to use multiannual education budgets at the central level, namely Austria and Slovenia, which operate a 2-year budget, Iceland and Kazakhstan, which use 3-year budgets and Uruguay, which uses a 5-year budget. In Estonia, while the central budget is annual, it is linked to four-year MTEFs. Some countries require spending authorities at the state, regional or local levels to formulate their budget proposals in line with the time-frame adopted at the central level (e.g. in Estonia, Iceland and Slovenia). This serves to increase the local capacity for strategic budgeting, co-ordinate budgeting procedures and ensure that all levels of the system actively contribute to central targets and priorities.

In some systems, as mentioned above, even schools are encouraged to prepare multi-annual budgets or development plans in accordance with the multi-annual perspective adopted at higher levels of administration. This can help local actors in making strategic spending decisions and provide an additional source of accountability, complementing the schools' annual financial reports with tangible objectives against which their progress can be assessed. While some countries apply a multi-annual budgeting approach across all levels of the education system, Estonia uses multi-annual budgets at the local level and annual budgeting procedures at the central levels, linking both to four-year medium-term expenditure frameworks. By contrast, countries including the Slovak Republic and Lithuania rely on single-year budgets at all levels of the education system, and Sweden gives municipalities discretion over the time period covered by their school budgets (see Table 4.A1.2).

MTEFs are widely acknowledged as an effective tool to assist strategic budget planning. They help ministries of finance and education ministries alike to maintain fiscal discipline by ensuring 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. In addition, MTEFs can give spending agencies the necessary resource security to strategically plan their operations and assist stakeholders in identifying the trade-offs and spending choices they need to make in order to adapt to future levels of funding. Adopting a multi-annual budgeting perspective can be particularly helpful when developing implementation plans for large capital projects whose operating costs are expected to change over time or reform projects whose fiscal impact is not immediately apparent due to their late implementation in the budget year (OECD, 2014).

Fiscal rules and control mechanisms

Rules and control mechanisms pertaining to expenditure and revenue, deficits or debt accumulation play a role in the budgeting process of nearly all OECD countries. Designed to ensure long-term fiscal sustainability, they impose constraints on the spending decisions of executives, ministries, legislatures or local authorities and specify potential sanctions in the case of their violation. Fiscal rules can derive their authority from different sources, including national legislation, executive commitments, constitutionally guaranteed instruments or international treaties. Practices regarding fiscal rules vary widely across national contexts and the policy goals they serve to support. Their effectiveness depends not only on a clear and transparent design, but also their integration with other budgeting practices and procedures including MTEFs, fiscal projections, effective monitoring and enforcement mechanisms (Schick, 2003).

An important development contributing to the increased use of fiscal rules among OECD countries has been the European Stability and Growth Pact, which limits the budget deficit European Union member states are allowed to run at 3% of GDP and their gross national debt at 60% of GDP. In addition, the Pact mandates the development of convergence or stability programmes that outline the countries' strategy to meet medium-term budgetary objectives. Since the Treaty on Stability, Co-ordination and Governance in the EU (the Fiscal Compact) came into force in 2013, members of the Eurozone have also had to adopt fiscal rules for a balanced budget into their national legislation (OECD, 2014).

An example of budgeting rules established in the aftermath of the financial crisis and in response to the European Stability and Growth Pact is the Budget Law passed in Denmark in 2012, which institutionalised a sanctioning mechanism that had been effective since 2010. Following negative GDP growth in 2009 and a significant budget overrun among Danish municipalities, the government introduced a sanctioning regime the following year which took effect in 2011. The Budget Law introduced binding multi-annual expenditure ceilings at the central, regional and municipal levels as well as an automatic sanction mechanism. In case municipalities fail to remain below the annually determined aggregate expenditure ceiling, significant sanctions are imposed and deduced partly from the grants of overspending municipalities (60%) and all other municipalities collectively (40%). Between 2011 and 2013, in the years following the Budget Law's introduction, municipalities reduced their expenditure and consistently underran their budgets (Houlberg et al., 2016; Nusche et al., 2016a).

Forecasting long-term and short-term resource needs

Strategic thinking and long-term planning are central to the successful governance of complex education systems (Burns, Köster and Fuster, 2016). Forecasts and projections of future resource needs can be used by different entities throughout the stages of the budgeting process to support this objective, to ensure the education system's long-term fiscal sustainability and develop clear implementation paths for educational reforms. In 2012, 24 of 33 OECD countries participating in the OECD Budget Practices and Procedures Survey, employed long-term fiscal projections covering more than ten years to inform the budgeting process at the central level. The simulation models used for these prognoses tend to be provided by the CBA, other core ministries or by government-independent institutions (OECD, 2014). Long-term fiscal projections need to be regularly revised, which tends to occur in regular annual or multi-annual intervals or following elections. Around half of OECD

countries require their annual budgets or medium-term expenditure frameworks to be consistent with these projections (OECD, 2014).

Typically, the ministry of finance will use prognoses and forecasts to establish expenditure ceilings for line ministries, while the education ministry may use them to prepare and justify its expenditure requests during the budget negotiations. Some intermediate and school level authorities also use forecasting tools to estimate their future expenditure, prepare budgets and allocate resources. Forecasts and simulations can also be employed as a strategic planning tool to estimate revenues and expenditure under different scenarios. The Norwegian Ministry of Finance, for example, requires the education ministry to provide a baseline expenditure projection assuming no policy change along with its policy proposals. These scenarios then form the basis for political discussions on ministerial revenue and expenditure limits as well as the resources available for new policy initiatives (Anderson, Curristine and Merk, 2006). Forecasting resource needs in the education sector involves anticipating developments in the demand for services across different education levels and sectors as well as their implications for human, pedagogical, physical and financial resource needs. The precise methodologies used to estimate expenditure are not always publicly available and vary across countries as well as authorities within countries. At the central level, baseline data on demographic changes in the school-age population and information on previous budget allocations may be combined with additional parameters of varying complexity, for example projected enrolment rates and student flows, different modalities of resource utilisation and macroeconomic or budgetary indicators (Chang and Radi, 2001). Forecasting models can be purely extrapolative or take into account policy changes and normative targets (Fakharzadeh, 2016). At the school-level, the use of these tools tends to be at the discretion of school boards and school leaders.

The effective prediction of resource needs across education levels often requires both vertical and horizontal collaboration and the mobilisation of data from various sources within the education system. In Spain, for example, schools are requested to provide the respective education authorities with admission forecasts to inform the annual allocation of funding. This data is then used to guide subsequent resource planning and management activities. In addition, enrolment levels in pre-school services as well as data from municipal registers are used to inform demographic projections in co-ordination with local and regional authorities (INEE, 2016). In some cases, planning the budget for vocational education and training (VET) can also be supported by efforts to predict labour market trends and the demand for skills in different industries by employing systematic forecasts or consulting employers and unions. For example, Estonia's Qualification Authority has developed and implemented a system that seeks to provide the Ministry of Education and Research with ten-year labour market and skills forecasts on an annual basis to inform the planning of VET resources (Santiago et al., 2016a).

Budgeting techniques and structures

The structure of education budgets and the corresponding procedures for their planning, negotiation and execution differ considerably across countries. One way to distinguish between different budget structures is the extent to which they allocate expenditure to line items or programmes – a distinction that tends to correspond with a budget's orientation towards inputs or outputs respectively. Both techniques can in theory be adopted for budgeting procedures from the central to the school level and there are a variety of hybrid approaches that combine elements of line item and programme budgeting. Some

countries use line item classifications alongside programme-based methods for different purposes during the budgeting process, sometimes distinguishing between the classifications used to allocate resources and the way budget information is presented to policy makers and stakeholders. In the United States, for example, funding is usually allocated to schools on the basis of line items while programme budgeting is used for planning purposes (NCES, 2003).

Line item budgeting

Line items constitute the lowest level of mandated spending in a given budget, detailing the use of allocated funds with varying degrees of specificity. Traditional line item budgets in education are organised along the lines of organisational units and objects of expenditure, allocating funding based on educational inputs such as personnel, infrastructure investments or maintenance. Countries' budgets vary considerably with respect to the number of line items they contain, the amount of detail with which allocations are specified and the levels of administration at which line item budgeting techniques are applied (OECD, 2014). The structure of line item budgets mirrors the organisation of authority and spending responsibilities within the administrative units that implement it. This – together with the separate listing of individual expenditure components – affords spending authorities a relatively high degree of oversight and input control. It also allows expenditure data to be easily summarised and monitored based on organisational units or item categories (NCES, 2003). Due to their intuitive structure and the relative ease of preparing them, line item budgeting remains the most widely used budgeting technique, particularly at the sub-central and school levels (NCES, 2003; Schaeffer and Yilmaz, 2008).

The way in which budgets are organised has implications for their planning, preparation, and subsequent evaluation (see Chapter 5). The fact that line item budgeting methods are focused on inputs – rather than the services or results that they are intended to deliver – makes it more difficult to link the cost of line items to specific services or outcomes. In contrast to programme-based budgets, the justification, prioritisation and expected impact of line item expenditures may therefore not be readily apparent based on the budget documentation alone. Some systems therefore supplement line item budgets with programme or performance information for presentational purposes and to allow decision makers to relate education spending to specific activities or purposes (NCES, 2003).

Programme budgeting

As part of a broader effort to reorient budgeting practices towards outcomes and results, some countries have moved from the use of line item budgets towards programme-oriented budgeting methods that assign funding to programmes of work and their associated outputs, rather than educational inputs. Conceived in the 1960s, programme budgeting “lays stress on estimating the total financial cost of accomplishing objectives” (Wildavsky, 1997) and promises to support the alignment of spending with policy objectives, for example by facilitating the integration of output targets and cost-effectiveness analyses into the budgeting process.

There is no consensus on the unit that should ideally constitute the basis of a programme budget in the education sector, which could be anything from the accomplishment of a specific educational objective to the implementation of an education reform or a certain type of activity. Identifying a set of appropriate programmes under which expenditures can be subsumed is key to designing effective programme budgets. Defining

mutually exclusive and collectively exhaustive programmes is particularly difficult at any level of aggregation and involves dealing with the mutual dependencies between different government activities as well as those which contribute to multiple objectives at once (Wildavsky, 1997).

The use of programme over line item budgeting involves important trade-offs that policy makers need to take into account. Most importantly, while programme budgeting allows for more direct links between spending and outputs, line item budgeting gives spending authorities a higher degree of control over individual line item inputs. In addition, moving towards a programme budgeting approach places additional demands, particularly on sub-central authorities in terms of the capacity needed to implement the associated changes in accounting practices (Schaeffer and Yilmaz, 2008). As a consequence of their condensed format, programme-budget documents can also fail to provide comprehensive information on all aspects considered relevant by individual stakeholders, which means that they may have to be supplemented with additional financial documentation to ensure effective accountability (de Jong et al., 2013). Further challenges arise when administering budget programmes that span multiple organisational units responsible for different parts of the associated expenditures (NCES, 2003).

Nevertheless, under the right conditions, a programme-oriented approach to budgeting can facilitate the alignment of budgetary planning with performance targets and policy objectives. It can also facilitate the identification of opportunities for consolidation or co-ordination between activities and programmes that pursue similar goals. Line item budgets, on the other hand, are rarely organised in a way that allows policy makers to identify the cost of specific interventions and programmes or to disentangle the incremental cost of education reforms from that of regular school operations. Although carrying out cost-effectiveness analyses remains empirically and methodologically challenging (Belfield, 2015), programme budgeting can facilitate the process. Programme classifications can also be used to guide spending reviews in the identification of strategic savings options and to present performance information alongside expenditure data to facilitate subsequent evaluations (Robinson, 2014).

Regardless of whether countries adopt line item or programme-based budgeting methods, it is important to maintain coherence and clarity in the budget structure and establish clear spending responsibilities. A large number of separate programmes or budget lines can make the regular review of allocations and priorities challenging and may reduce flexibility in the use of allocated resources (for other factors conditioning budgetary flexibility, see below). Particularly when expenditure responsibilities for individual budgetary lines are unclear, a dispersed budget structure can give rise to inefficiencies due to the misalignment of spending and policy objectives or the failure to identify potential synergies (Santiago et al., forthcoming).

Budget flexibility and incentives for efficiency

Relaxing central input controls and increasing budget flexibility has been a common strategy to enable education authorities to pursue their objectives more efficiently and effectively. Measures to increase flexibility have been applied at the level of the executive, education ministries, local administrations and schools. More flexibility in the budget planning and execution process can serve to increase its responsiveness to unforeseen circumstances and changing priorities as well as providing incentives for the more efficient use of school funding at the planning stage.

Budget flexibility and reallocations

Within multi-annual budgeting frameworks, expenditure ceilings can be revised to account for unforeseen economic and fiscal developments or changing policy priorities. Even within a single year's budgetary cycle, some countries allow for budget allocations to be adjusted upwards or downwards after their adoption in response to circumstances that were not foreseen or unforeseeable during the planning stage. The rules and procedures governing this adjustment process vary across countries and different regulations may apply to spending cuts and increases, as well as to different types of expenditure, such as investment, operational and mandatory spending. The majority of OECD countries allow the executive to increase ministerial budgets after they were approved by the legislature, with the exception of some countries like Chile or France where such spending increases are prohibited. Most OECD countries also allow the executive to cut operational, investment and discretionary spending after the ministries' budgets have been approved, while cuts to mandatory spending tend to be more restricted with countries such as Austria, Belgium, Denmark and Estonia prohibiting the practice entirely, even though they permit reductions in other spending categories (OECD, 2014). With few exceptions, increases and cuts after the budget's adoption are limited by thresholds or contingent on their *ex ante* approval by the CBA or the legislature in case the reallocations exceed a certain threshold.

A whole-of-system approach to education planning needs to reconcile the importance of longer-term budgetary frameworks and the predictability they afford with a sufficient degree of flexibility to respond to unforeseen circumstances in the short term. In addition, the nature of the budget preparation schedule is often such that educational resource needs, particularly at the local level, are only imperfectly known by the time at which budgets need to be approved. Adjustment mechanisms can help to ensure, for example, that budget appropriations reflect the upcoming year's enrolment levels even if the initial adoption of the budget precedes the beginning of the new school year. In Estonia, for example, most local governments provide their school directors with budget ceilings for the upcoming fiscal year as soon as spring. Once enrolment levels become clearer towards autumn, budget allocations are adjusted accordingly, allowing schools to plan ahead without compromising their budget flexibility (Santiago et al., 2016a).

Carry-over of unused appropriations

Since budget appropriations are typically granted for a given fiscal year, carry-over rules regulate the extent to which actors at different levels of the education system can use unspent financial resources beyond this point. The right to carry savings forward from one year to the next can be subject to both quantitative and qualitative restrictions. These may include a ceiling for the amount that can be carried over in any given year or for the total accumulation of unspent resources. In other cases, requests to retain unspent funds may be subject to the evaluation and approval of the respective budgetary authority. At the ministerial level, the majority of OECD countries permit the carry-over of discretionary, operational and investment funding, usually subject to prior approval by the Central Budget Authority (CBA), the legislature or both (OECD, 2014). Belgium and Chile are among the countries that do not permit any ministerial carry-overs, while the Slovak Republic restricts the practice to discretionary and investment budgets (OECD, 2014).

There are arguments for and against the permission of budgetary carry-over practices (OECD, 2014). Carry-over rights have been argued to provide spending authorities with additional flexibility to compensate for rigidities in the budget execution. Allowing

educational providers to use their savings beyond the budgetary cycle to fund other priorities also sets organisational incentives to improve the use of resources and reap the benefits of efficiency-producing innovation (OECD, 2015). By contrast, prohibiting providers from retaining savings between budget years may lead to inefficient spending patterns towards the end of the fiscal year and rigid restrictions on carry-over practices can compound other sources of inefficiency such as shortcomings in national planning procedures. For example, it is estimated that 20% of infrastructure investments in Chile are lost to the education sector due to delays in the execution of national programmes and the failure to spend appropriated funds within the approved period (Santiago et al., forthcoming). At the same time, unrestricted carry-over rights may lead schools to accumulate excessive surpluses and reduce the executive's control over the timing of expenditures. Carry-over can thereby cause spending fluctuations and the allocation of resources to student cohorts for whom they were not originally intended unless they are accompanied by appropriate fiscal rules.

The rules regulating carry-over at the school level vary between countries and may not apply universally across different school types or regions within a system. In Iceland, for example, each municipality decides whether their pre-primary and compulsory schools are permitted to carry surpluses and losses forward to the next financial year while upper secondary schools governed by the state are authorised to retain unused funds without restrictions and subtract debts from the following year's allocations (Icelandic Ministry of Education, Science and Culture, 2014). In Lithuania, by contrast, annual school budgets are based on their expenditure during the previous year and any surpluses must be refunded to the state at the end of the cycle, providing no incentives for educational institutions to reduce their cost or save funds for future expenditures. Likewise, targeted state grants transferred to municipalities can only be used for education purposes during the year in which they were allocated (National Agency for School Evaluation [NASE], 2015).

Among the OECD review countries, four reported not to allow public schools to carry-over any budget surpluses at the primary level, while another four systems imposed no restrictions on the practice. In Denmark, Estonia, Iceland and Portugal, budgetary carry-over is subject to the approval of central or local educational authorities, while the Czech Republic, Israel and the Slovak Republic allow for the carry-over of funds either up to a certain limit or restricted to a specific type funding. In most countries, the budgetary regulations concerning carry-over practices are similar at the lower secondary level. At the upper secondary level, schools are more frequently permitted to retain unspent allocations, with 6 of 17 systems reporting no restrictions on the practice. By contrast, three systems reported not to permit any carry-over at the upper secondary level and seven systems impose some restrictions or mandate the approval of educational authorities. In Uruguay, for example, surplus income generated by product sales at the school level goes into a central budget and is redistributed to the school in the next school year. The Slovak Republic mandates retained funds to be spent until March of the following year. In Austria, carry-over rights for federal lower and upper secondary schools are subject to the discretion of the central education authority and in Estonia, subject to the approval of central or local authorities, depending on the school owner (see Table 4.A1.3).

Even where the retention of funds across budget years is permitted in principle, the failure of many schools to do so (as seen, for example, among municipal schools in Estonia) highlights that carry-over procedures need to be transparent and easy to navigate for schools with limited administrative capacity (Santiago et al., 2016a). Otherwise, problems in the carry-over process can lead school authorities to engage in inefficient expenditures

at the end of the budgetary year and discourage them from saving for larger investments or mobilising additional revenues through donations, asset income and the sale of goods and services.

Policy options

Adopt a multi-annual approach to budget planning

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.

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. The development of multi-annual budgets should 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.

Strategically link spending decisions to policy priorities

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.

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.

Strategically use evaluation and research evidence in the budgeting process

The effective planning of educational resource use relies on the systematic mobilisation of evidence generated through research, evaluations and monitoring activities. Evidence on the efficiency of spending decisions should be used to inform discussions among stakeholders and help the responsible authorities in making informed decisions throughout the budget preparation process. To effectively inform evidence-based budget planning, the data generated by evaluation activities should explicitly assess the impact of programmes and policy initiatives, ideally relating it to previously established objectives and expenditure information. 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 the 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.

Education systems should also promote the creation of 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.

Provide sufficient budget flexibility and incentives for efficiency

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. 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, although appropriate regulations should prevent the accumulation of excessive surpluses and spending fluctuations across years.

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ANNEX 4.A1

National approaches to planning the use of school funding

Table 4.A1.1. **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 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 end of this annex.

Table 4.A1.2. **Budgeting of public expenditure at the central and sub-central level (ISCED 0-3), 2016**

Country	Level of education	Level of administration	Responsibilities for setting up the education budget	Budget duration
Austria	ISCED 0-3	Central	<ul style="list-style-type: none"> Central financial authority and central education authority negotiate Central government (Council of Ministers) proposes Central legislative authority (National Council) approves 	Multiannual (2 years)
	ISCED 0, ISCED 1-3 (state schools)	State	<ul style="list-style-type: none"> State financial authority and state education authority negotiate State legislative authority approves 	Not specified by the regulatory framework
		Local	<ul style="list-style-type: none"> Local financial authority and local education authority negotiate Local legislative authority approves 	Not specified by the regulatory framework
Belgium (Fl. and Fr.)	ISCED 0-3	Central	<ul style="list-style-type: none"> Central financial authority (not exclusively for education) 	Annual
		State	<ul style="list-style-type: none"> State government and state education authority negotiate State government proposes to state legislative authority Other (social partners) advise State legislative authority approves 	Annual
Chile	ISCED 0-3	Central	<ul style="list-style-type: none"> Central education authority proposes Central financial authority negotiates, approves and proposes to central government Central government proposes to central legislative authority Central legislative authority approves 	Annual
	ISCED 0	Local	<ul style="list-style-type: none"> Central education authorities (<i>Junta Nacional de Jardines Infantiles</i> [JUNJI], Integra) Local education authorities 	Annual
	ISCED 02-3	Local	<ul style="list-style-type: none"> Central education authority (<i>Ministerio de Educación</i>, MINEDUC) Local education authorities 	Not specified by the regulatory framework
Czech Republic	ISCED 0-3	Central	<ul style="list-style-type: none"> Central education authority proposes Central financial authority advises Central government negotiates Central legislative authority approves 	Annual
	ISCED 3	Regional	<ul style="list-style-type: none"> Central education authority advises (according to normatives set by the Ministry of Education, Youth and Sports) Regional education authority proposes (through a system of regional normatives) Regional government negotiates Regional legislative authority approves 	Annual
	ISCED 0-2	Local	<ul style="list-style-type: none"> At the discretion of local authorities 	Annual
Denmark	ISCED 0-3	Central	<ul style="list-style-type: none"> Central government proposes Central legislative authority approves 	Annual
	ISCED 0-2	Local	<ul style="list-style-type: none"> Local government 	Annual
Estonia	ISCED 0-3	Central	<ul style="list-style-type: none"> Central education authority proposes Central financial authority negotiates Central government approves Central legislative authority approves 	Annual
		Local	<ul style="list-style-type: none"> Local government proposes Local legislative authority approves 	Multiannual (4 years)
Iceland	ISCED 3	Central	<ul style="list-style-type: none"> Central education authority proposes and approves Central financial authority negotiates Central legislative authority approves Central government approves 	Multiannual (3 years)
	ISCED 0-2	Local	<ul style="list-style-type: none"> At the discretion of local government authorities 	Multiannual (4 years)
Israel	ISCED 0-3	Central	<ul style="list-style-type: none"> Central education authority proposes and approves Central financial authority negotiates and approves Central government adopts Central legislative authority finally approves 	Annual
		Local	<ul style="list-style-type: none"> At the discretion of local education authorities 	Annual

Table 4.A1.2. **Budgeting of public expenditure at the central and sub-central level (ISCED 0-3), 2016 (cont.)**

Country	Level of education	Level of administration	Responsibilities for setting up the education budget	Budget duration
Kazakhstan	ISCED 0-3	Central	<ul style="list-style-type: none"> Central education authority proposes Central financial authority negotiates Central government approves Central legislative authority approves 	Multiannual (3 years)
		Regional	<ul style="list-style-type: none"> Regional education authority proposes Regional financial authority negotiates Regional government and regional legislative authority approve 	Multiannual (3 years)
		Local	<ul style="list-style-type: none"> Local education authority proposes Local financial authority negotiates Local government and local legislative authority approve 	Multiannual (3 years)
Lithuania	ISCED 0-3	Central	<ul style="list-style-type: none"> Central financial authority negotiates Central education authority proposes Central government approves 	Annual
		Local	<ul style="list-style-type: none"> Central education authority approves Local legislative authority approves 	Annual
Portugal	ISCED 0-3	Central	<ul style="list-style-type: none"> Central education authority (Ministry of Education) proposes Central education authority and central financial authority (Ministry of Finance) negotiate Central government approves Central legislative authority approves 	Annual
	ISCED 0, ISCED 1 (first 4 years)	Local	<ul style="list-style-type: none"> Central financial authority proposes general budget Local government approves budget for school education 	Annual
Slovak Republic	ISCED 1-3	Central	<ul style="list-style-type: none"> Central education authorities Central financial authorities and other (social partners, mainly the teachers' union) negotiate draft budget Central financial authorities propose draft budget to the central government Central government after discussion approves draft budget and proposes the budget to the central legislative authority Central legislative authority approves 	Annual
		ISCED 3	Regional	Annual
		ISCED 02	Local	Annual
		ISCED 1-2	Local	Annual
		ISCED 1-3	Central	Annual
Slovenia	ISCED 1-3	Central	<ul style="list-style-type: none"> Central government proposes Central financial authority and central education authority negotiate Central legislative authority approves 	Multiannual (2 years)
	ISCED 0-2	Local	At the discretion of local authorities	Multiannual (2 years)
Spain	ISCED 0-3	Central	<ul style="list-style-type: none"> Central financial authority proposes draft budget after negotiations with government (including the central education authority) Central legislative authority and others (groups from civil society) negotiate Central legislative authority approves 	Annual
		Regional	<ul style="list-style-type: none"> Regional financial authority proposes Regional financial authority and regional education authority negotiate Regional legislative authority approves 	Annual
		ISCED 0-1	Local	Annual
		ISCED 0-1	Local	Annual

Table 4.A1.2. **Budgeting of public expenditure at the central and sub-central level (ISCED 0-3), 2016 (cont.)**

Country	Level of education	Level of administration	Responsibilities for setting up the education budget	Budget duration
Sweden	ISCED 0-3	Central	<ul style="list-style-type: none"> Central financial authority and central education authority negotiate Central government proposes Central legislative authority approves 	Annual
		Local	<ul style="list-style-type: none"> Local government At the discretion of local authority 	Annual
Uruguay	ISCED 0-3	Central	<ul style="list-style-type: none"> Central education authorities propose Central financial authority negotiates Central legislative authority proposes and approves 	Multiannual (5 years)
Slovak Republic	ISCED 1-3	Central	<ul style="list-style-type: none"> Central education authorities Central financial authorities and other (social partners, mainly the teachers' union) negotiate draft budget Central financial authorities propose draft budget to the central government Central government after discussion approves draft budget and proposes the budget to the central legislative authority Central legislative authority approves 	Annual
	ISCED 3	Regional	<ul style="list-style-type: none"> Regional education authority 	Annual
	ISCED 02	Local	<ul style="list-style-type: none"> At discretion of local education authority 	Annual
	ISCED 1-2	Local	<ul style="list-style-type: none"> Local education authority 	Annual
Slovenia	ISCED 1-3	Central	<ul style="list-style-type: none"> Central government proposes Central financial authority and central education authority negotiate Central legislative authority approves 	Multiannual (2 years)
	ISCED 0-2	Local	<ul style="list-style-type: none"> At the discretion of local authorities 	Multiannual (2 years)
Spain	ISCED 0-3	Central	<ul style="list-style-type: none"> Central financial authority proposes draft budget after negotiations with government (including the central education authority) Central legislative authority and others (groups from civil society) negotiate Central legislative authority approves 	Annual
		Regional	<ul style="list-style-type: none"> Regional financial authority proposes Regional financial authority and regional education authority negotiate Regional legislative authority approves 	Annual
	ISCED 0-1	Local	<ul style="list-style-type: none"> Local financial and education authorities negotiate and propose Local government approves 	Annual
Sweden	ISCED 0-3	Central	<ul style="list-style-type: none"> Central financial authority and central education authority negotiate Central government proposes Central legislative authority approves 	Annual
		Local	<ul style="list-style-type: none"> Local government At the discretion of local authority 	Annual
Uruguay	ISCED 0-3	Central	<ul style="list-style-type: none"> Central education authorities propose Central financial authority negotiates Central legislative authority proposes and approves 	Multiannual (5 years)

Notes: The level of administration describes the level of the system for which the budget is set. For example, the central level of administration refers to the "central budget".

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 terms and definitions of levels of administration and governance and levels of education, see Annex B. For country-specific notes to this table, see the end of this annex.

Table 4.A1.3. Regulations on budget carry-over for public schools

Country	Level of education	Right for budget carry-over
Austria	ISCED 0, ISCED 1-3 (state schools)	x
	ISCED 2-3 (federal schools)	At the discretion of central education authority
Belgium (Fl. and Fr.)	ISCED 0-3	Yes, with no restrictions
Chile	ISCED 0 (operated directly or indirectly by the central education authority <i>Junta Nacional de Jardines Infantiles</i> [JUNJI])	No
	ISCED 0 (operated directly or indirectly by the central education authority Integra)	Yes, with some restrictions
	ISCED 02-3	Yes, with no restrictions
Czech Republic	ISCED 0-3	Yes, but only funding provided by local authority
Denmark	ISCED 0-2	At the discretion of local education authority
	ISCED 3	Yes, with no restrictions
Estonia	ISCED 0	At the discretion of individual school
	ISCED 1-3	At the discretion of school provider (central education authority, local education authority)
Iceland	ISCED 0, ISCED 1-2	At the discretion of local education authority
	ISCED 3	Yes, with no restrictions
Israel	ISCED 0-3	Yes, but only any surplus from petty cash and parental contributions
Kazakhstan	ISCED 0-3	No
Lithuania	ISCED 0-3	No
Portugal	ISCED 0-3	At the discretion of central education authority
Slovak Republic	ISCED 0-3 (school with the status of a legal entity)	Yes, but needs to be spent after a given period of time (until March the following year)
	ISCED 0-3 (school without the status of a legal entity)	Yes, but only the amount received in last two calendar months of a year (November and December) and only a specified maximum
Slovenia	ISCED 0-3	Yes, with no restrictions
Spain	ISCED 0-3	Yes, with no restrictions
Sweden	ISCED 0-3	No
Uruguay	ISCED 0-1	No
	ISCED 2-3	No, but the income of product sales can be retained in the event of surplus

x: not applicable.

Notes: Budget carry-over refers to the possibility for public schools to retain any budget surplus for the next budget year.

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 definitions of levels of education, see Annex B. For country-specific notes to this table, see the end of this annex.

Table notes**Table 4.A1.1. Information used in the preparation of the central education budget****Chile:**

Additional information includes recurring expenses from existing programmes.

Czech Republic:

Information about identified needs at different levels of the system is used to some degree for planning of infrastructure needs and investments on a central level.

Estonia:

Administrative data refers to the number of students in general education. Performance information refers to an assessment if previous national education targets have been achieved or not. Additional information used in the preparation of the central education budget includes forecasts of labour market demand in the case of vocational education and training.

Iceland:

The budget of upper secondary schools (ISCED 3) is determined through the central budget, based on the number of full-time equivalent students and the line of study. The education budget of pre-primary and compulsory schools (ISCED levels 0-2) is determined at the local level at the discretion of local authorities. In addition the Municipality Equalisation Fund distributes central funds to municipalities based on formulas and regulations.

Kazakhstan:

Additional information includes data on teacher professional qualifications.

Lithuania:

Administrative data refers to the number of students.

Portugal:

Administrative data refers to the number of students and the type of educational offer. Additional information includes the draft budget prepared by schools for operating costs.

Slovak Republic:

Administrative data refers to the number of students. Macroeconomic and budgetary indicators include, among others, economic growth projections in terms of GDP and fiscal forecasts. Identified needs at different levels of the system refers, for example, to the infrastructure investments, e.g. to expand supply of early childhood education and care and to meet growing demand in certain geographical areas. Policy priorities as described in education strategic documents refers, for example, to teacher salaries which are determined in collective bargaining and make up a substantial share of public expenditure on education.

Slovenia:

Administrative data refers to the number of students per educational programme and the number of teachers. Performance information is used in negotiations between the central financial and the central education authority.

Spain:

Administrative data refers to the number of students and the number of teachers. Results from impact evaluations of policies and programmes refers to international and national evaluation results. Macroeconomic and budgetary indicators refer to educational and economic indicators. Demographic information refers to population projections. Policy priorities as described in education strategic documents refer to specific current needs. Identified needs at different levels of the system refers, for example, to computer equipment, language learning, etc. Performance information describes whether previous national education targets have been achieved or not.

Sweden:

Administrative data refers to the number of students and the number of teachers. Demographic information refers to population projections.

Uruguay:

Administrative data refers to the number of students and the number of teachers. Macroeconomic and budgetary indicators are considered by the central legislative authority to propose a budget reduction. Data on pedagogical orientations are used by type of school and level of education.

Table 4.A1.2. Budgeting and planning of public expenditure at the central and sub-central level**Austria:**

Budgeting procedures differ according to the type of costs, i.e. personnel costs versus costs for maintaining the school infrastructure and according to the type of school, i.e. federal schools versus state schools.

For state schools, the general principles for the transfer of funds from the federal to the state level for teaching resources are set out in the Fiscal Adjustment Act (*Finanzausgleichsgesetz*). For Years 1-8 (state schools), the federal government fully compensates the states for their expenditures on pedagogical staff within the limits of staff plans approved by the Minister of Education and the Minister of Finance. For federal schools, i.e. academic secondary schools and vocational schools and colleges, the resource allocation for federal schools is planned and implemented by the Federal Ministry of Education and the state school boards. Short-term planning for federal schools is an annual procedure that stretches over several months (from April to October every year) and involves the Federal Ministry of Education, the state school boards and the schools. Teaching resources (measured as “value units”, *Werteinheiten*) are allocated by the Federal Ministry of Education to the state school boards, which redistribute these to individual schools.

As a general rule, the federal level is responsible for providing and maintaining the infrastructure for federal schools (about 550 schools, mainly general academic schools – lower and upper cycle as well as vocational schools and colleges), whereas municipalities are mostly responsible for state schools (about 4 500, mainly primary schools, schools at the lower secondary level, special needs schools and pre-vocational schools, some part-time vocational schools for apprentices). There are also schools owned and maintained by the states (about 300, mainly part-time vocational schools for apprentices and vocational schools at upper secondary level).

State and local budgets are determined by a multiannual transfer mechanism, the Fiscal Adjustment Act (*Finanzausgleich*) which usually covers four to six years.

Belgium (Fl. and Fr.):

There is no central education budget and budget planning for education. The central budget in this table describes the annual lump sum transfer originating from the federal level to the Communities. The lump sum transfer can be used for all policy domains that Communities are responsible for at their own discretion. The state level (Communities) is responsible for planning the education budget.

Chile:

The central education budget is determined by a law which establishes the budget for the whole public sector each year. The central budgeting process starts with a sectorial request. For instance, the Ministry of Education makes a proposal to the Ministry of Finance which co-ordinates the national budget as a whole that is then presented by the central government to parliament.

In early childhood education and care (ISCED 0), there are local budgets for pre-school providers that operate with funds transferred from the central education authority (*Junta Nacional de Jardines Infantiles via transferencia de fondos, JUNJI VTF*) and from the central education authority (Integra) on the basis of agreements. Accordingly, the budget of public pre-school providers is mainly established through fund transfers by these central authorities. In addition, public providers also budget and plan expenses of funds that complement those transferred by the central education authority. Similarly, publicly-subsidised private providers budget and plan expenses of funds that complement those transferred by the central education authority.

At ISCED levels 02-3, the budget of public school providers (municipalities) is mainly established by the central education authority (*Ministerio de Educación, MINEDUC*). In addition to managing education funding transferred by the central education authority, public school providers also budget and plan expenses for funds collected at the local level. They can allocate additional resources to the administration of public education in their jurisdiction from their own revenues. The budgeting process is the same for publicly-subsidised private school providers which organise the use of complementary school funds they may receive (e.g. through donations).

Czech Republic:

The budget of some parts of EU structural funds for the regional level administered by the Ministry of Regional Development is planned largely independently by central authorities.

At the local level, the administration of the part of the budget coming directly from the municipality is undertaken independently by the municipality without any restrictions or rules other than the general fiscal rules that apply to local authorities.

Denmark:

On an annual basis, the central government and Local Government Denmark, the association of Danish municipalities, negotiate the overall tax and expenditure for the municipalities collectively. The result of the annual negotiations is then included in the budget proposal that the central government introduces every year in August. The proposal for the

Finance Act is then negotiated by parliament. The act is usually passed by parliament in December. The central government acts, negotiates and introduces the budget proposal as one actor. The Ministry of Finance is responsible for the budget proposal and the negotiations.

For budget planning at the local level, each municipality is led by a democratically elected council. Each council is elected for four years and elects a chairman among its members – the mayor. It is the mayor's duty to prepare, call and chair all meetings of the local council. Furthermore, the mayor is the chief executive of the local administration. Each municipal council must set up a finance committee which is chaired by the mayor. Committee structures vary greatly across municipalities. However, municipalities often have a social services committee, a technical and environmental committee, and a committee for education and culture.

Estonia:

By law, the central government, local governments and schools must have Strategic Development Plans. For central and local governments, these plans must be linked to four-year medium-term expenditure frameworks (MTEF). The MTEFs establish the parameters around which annual budgets are planned.

Iceland:

The budget of upper secondary schools (ISCED 3) is determined through the central budget, based on the number of full-time equivalent students and the line of study. The education budget of pre-primary and compulsory schools (ISCED levels 0-2) is determined at the local level at the discretion of local authorities. In addition, the Municipality Equalisation Fund distributes central funds to municipalities based on formulas and regulations.

Israel:

The central education authority (Ministry of Education) builds the education budget. The central financial authority (Ministry of Finance) negotiates and approves it. The central government approves the educational budget, but can change it. A special increase can be approved for individual projects. Conversely, a decrease can be approved too and the central education authority and the central financial authority negotiate to decide where the reduction will be applied. Finally, the central legislative authority (Finance Committee in the parliament) approves the budget.

Kazakhstan:

Despite the budget planning being multiannual at all levels of the system, a budget adjustment is held annually.

Lithuania:

The central education authority approves the local budget for learning needs. The local legislative authority approves the local budget for maintenance needs.

Portugal:

As established by the central general budget, central funds are transferred to a social municipal fund (*Fundo Social Municipal*), which are then distributed, according to legally established criteria across the different municipalities. Municipalities then decide how these are allocated to school education among other purposes.

Slovak Republic:

Formally, the regional and local authority as the school provider (founder) approves the budget of their schools (in the case of publicly-funded private schools, this is the responsibility of the private school provider). However, 95% of funding is decided at the central level by the Ministry of Education and comes from the central budget. Only a small proportion is decided at the regional and local levels and comes from authorities' own revenues.

Pre-school education (ISCED 02) is financed from local resources, i.e. local taxes and personal income tax centrally redistributed in the form of a lump sum. As a result, there is no central budget for pre-primary education. The local authority as school provider decides the total budget at its own discretion. For private ISCED 02 institutions, the local authority must allocate 88% of the resources allocated to its own public institutions. The central budget contributes to pre-primary education of 5-year-old children.

Salaries make up a substantial share of public expenditure on education. The social partners are therefore involved in the setting of the budget level in as far as the teachers' union negotiates teacher salaries in collective bargaining.

Spain:

The central government manages public funds for its sphere of management, the autonomous cities of Ceuta and Melilla and educational institutions abroad. Additionally, the budgets for the education system are defined at central level by the General Law for Central Government Budgets and at regional level by each of their corresponding Education Budget Laws. The General Budget in Education prepared at the central level includes a yearly foresight for the public expenditure that is managed by the central government. These funds, mainly allocated as a lump sum to regions are used at the regional level to cover costs with general administration of education, culture and sports (including teachers' professional development), teaching in all education levels (including costs with Spanish schools out of Spain), special needs programmes, ICT programmes, grants and fellowships for students, transport to school, canteens, textbooks, teaching and learning resources, among others. The procedure governing the elaborations of the general budget is established by a Ministerial Order of the Ministry of Finances and Public Administration, which establish the criteria that must adapt the income and expenses to fulfil the targets of budgetary stability and public debt approved by the parliament (Congress and Senate). In the process of preparation, the Ministry of Finance and Public Service and the Minister of Education closely co-operate with the other members of government to elaborate the General Budget and transfer it to the parliament. At the parliament, there is a period of debate and negotiation by means of amendments in which the proposals of civil society, other ministries and political groups with parliamentary representation are channelled. The approval in the parliament by means of voting turns the final text into the General Law of State Budgets.

Regional authorities (Autonomous Communities) manage public funds within their territories and decide on the amounts earmarked for education and their distribution among the different types of provision, programmes and services, which is annually established in their budgets based on demand and previous proposals of education authorities. Advice for budget implementation at the regional level is given by the government council, the regional education board, and civil society and the educational community in particular, through the regional school council.

Local education authorities (municipalities) have the ownership of pre-primary and primary education institutions and provide basic services of water, gas, light, electricity and cleaning. Also, they assume the responsibilities related to the maintenance and supervision of buildings used for pre-primary and primary education and special education, in co-operation with the relevant education authorities to obtain the sites necessary for the construction of new schools - for which regional authorities are responsible for. Advice for budget implementation at the local level is given by the education council, and civil society and the educational community in particular, through the municipal school council. Additionally, local authorities may establish specific agreements with regional educational authorities to take into account in their budgets some special or important needs of schools in their own municipality from any ISCED level (not only ISCED 0-1). This includes, for instance, the arrival of immigrant children, rapid increase of adults in need of education, some accident or serious problem of infrastructure, among others.

Uruguay:

The central education authorities (Central Governing Council of the National Public Education Administration [CODICEN-ANEP]) and the individual education councils for the different sub-sectors of the system only allocate the budget by items (wages, investment, expenditure). The legislative authority cannot propose increases on the budget, but only reductions. At ISCED level 2-3 (pre-vocational and vocational), the respective education council has started a process of decentralisation with the creation of regional campuses. Also at ISCED level 2-3 (general), the respective education council has created regional offices of the inspectorate. The system, however, remains highly centralised and there is no regional level of governance.

Table 4.A1.3. Regulations on budget carry-over for public schools

Austria:

At ISCED 0, no general central rules apply as responsibility for this level of education lies with the states. For general compulsory schools at ISCED levels 1-3, there is essentially no budget planning at individual school level as most financial aspects are pre-determined by administrative regulations. State schools lack the legal capacity to contract. In practice, however, state schools are often given some discretion in making minor spending decisions from budgets co-administered with the local school authority. Nevertheless, this differs across municipalities.

Belgium (Fl. and Fr.):

The operational budget is determined by the state education authorities and distributed to school providers (school boards) according to a funding formula. School boards are responsible for planning the use of the operational grant.

Belgium (Fl.):

In the public Flemish Community Education (*Onderwijs van de Vlaamse Gemeenschap*, GO!) school network, the financial autonomy of individual schools varies across the school clusters (*scholengroepen*). In some cases, the latter acquire operational goods and services for a number of schools in order to benefit from buying on a larger scale. In other cases, the school cluster undertakes the acquisition of operational goods and services, but the school determines both the amount and the nature of the resources concerned. By way of very

specific budgets coming from the Ministry for Education and Training of the Flemish Community, school clusters can sometimes directly cover some expenditure on immovables and repairs.

Chile:

Individual schools are responsible for the implementation of their school educational project (*Proyecto Educativo Institucional*, PEI) to offer an education that complies with the overall normative framework. In addition, school providers may delegate further tasks and responsibilities to schools, while retaining the final overall responsibility for the operation of their schools. The precise distribution of tasks and responsibilities between school providers and schools, and therefore the degree of school autonomy for the use and management of resources, will always depend on individual school providers and their schools. Also, school providers and schools do not have complete discretion in the use of their financial resources. There are several subsidies with specific purposes and legal restrictions, such as the Preferential School Subsidy (*Subvención Escolar Preferencial*, SEP), the Support for Special Education Programme (*Programa de Integración Escolar*, PIE), the Pro-Retention Educational Subsidy (*Subvención Educacional Pro-Retención*), the Subsidy for Boarding Schools (*Subvención de Internado*), and a Subsidy for the Strengthening of Public Education (*Subvención de Reforzamiento Educativo*).

Czech Republic:

All schools have been independent legal entities since 2003. With this status, schools enter legal relations under their own name and bear full responsibility for these. The status of independent legal entities has given school principals greater autonomy for decisions about financial matters, for the management of the school property to the extent determined by the school provider (school founder), for the independent management of labour affairs, the possible development of additional school activities and the management of own profits and losses, as well as their own accounting. While all schools are independent legal entities, public schools can have three specific legal forms: subsidised organisations, school legal entities, or organisational units of the state. School principals at schools which have the legal status of a subsidised organisation or a school legal entity, i.e. most public schools, are the authorised body of these schools and as such hold full responsibility for the quality of education, the management and administration of the school, the school's budget and finances, human resource management, and community relations. For most schools, budgeting constitutes a bi-directional process. The school leadership proposes the budget and the school founder approves the budget. In addition, the school founder determines the share of the budget for non-teaching expenses that originates from its own resources.

Denmark:

At ISCED 1-2 (*Folkeskole*), the school budget is formulated at the school within the limits decided by the municipal council and the budgetary conditions decided by the council. The school leader is responsible for formulating a budget proposal for the school within principles set and discussed by the school board.

Israel:

School principals have little flexibility for the expense budget which is allocated to the school.

Kazakhstan:

Schools can have different levels of financial autonomy depending on their legislative organisational form. Thus, some schools can have a partial autonomy for budget use after paying the priority fields of expenditures (teacher salary, dues, housing and communal services). Such schools can carry-over surplus funds to the next year.

Portugal:

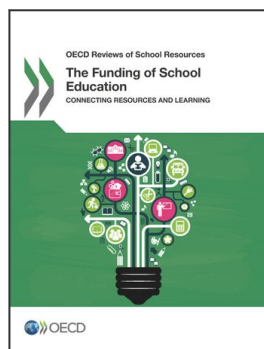
The central authority can decide to allow schools to retain a budget surplus from their own revenue.

Slovenia:

The school's budget surplus must be used for the development of education.

Uruguay:

In general, there is no budget surplus at any level of the education system. Any budget surplus from the income of schools' product sales at ISCED 2-3 can be retained, but these funds go to a universal fund from which they are redistributed to schools. These funds cannot exceed UYU 3 000.



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