

Chapter 3

Funding of school education in Uruguay

This chapter is about the funding of school education. It deals with the level of resources available for school education and revenue sources. Furthermore, it discusses budget planning, the monitoring of funds' use as well as incentives for the effective use of school funding. The chapter places particular emphasis on areas of priority for Uruguay such as the low levels of public expenditure on education, the little transparency of mechanisms to fund individual schools, equity implications of funding approaches, and the limited autonomy of individual schools to manage resources. The chapter also reviews the limitations of funds' use accountability and the concerns regarding the funding for school infrastructure.

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.

This chapter is about the funding of school education. It deals with the level of resources available for school education and revenue sources. Furthermore, it discusses the planning of resource use (e.g. definition of priorities and targets, distribution of responsibilities for resource use); the monitoring of resource use (e.g. audit systems); transparency and reporting; as well as incentives for the effective use of resources. In addition, it analyses the distribution of funding between the different educational levels and between individual schools.

Context and features

The main features of the funding of school education in Uruguay are that the level of expenditure is relatively low by OECD standards (but growing) and there is a high degree of centralisation in managing financial resources for school education. The government's budget is the main source of funding and there is little autonomy at the school level to manage financial resources.

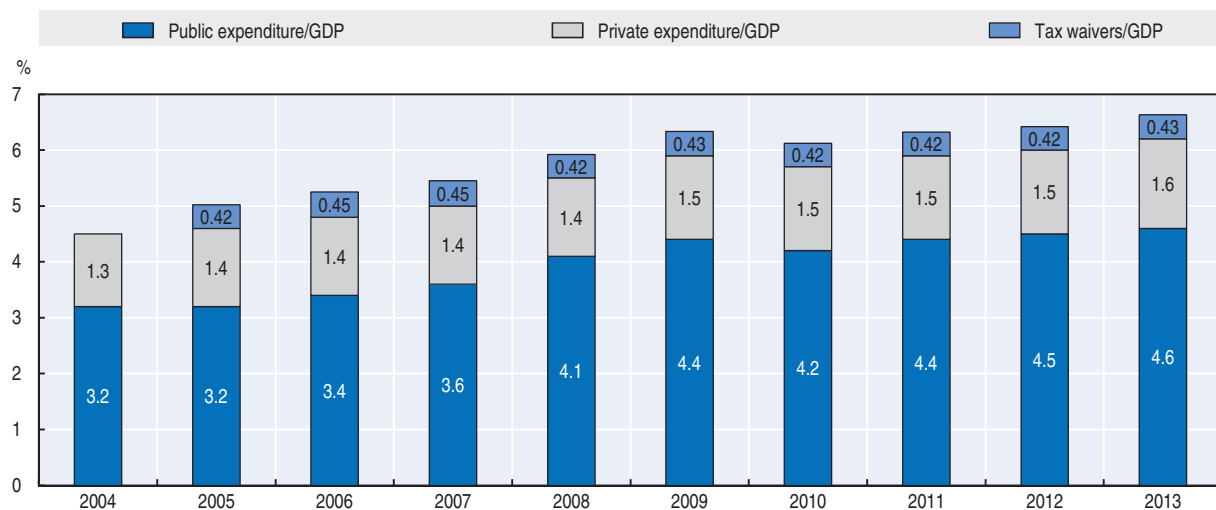
Expenditure on education

Between 2005 and 2013, total expenditure on education in Uruguay grew from 5.0% to 6.6% of GDP. This reflects, in part, considerable growth in public spending in education. During this period, public expenditure on education rose from 3.2% to 4.6% of GDP (see Figure 3.1). This growth was sustained over time, except with a decrease in 2010. In spite of the recent efforts, public expenditure on education remains considerably below the OECD average and below the equivalent expenditure in other Latin American countries. In 2011, public expenditure on education in Uruguay reached 4.4% of GDP, against an OECD average of 5.6% and equivalent expenditure of 5.0%, 5.7%, 4.5% and 5.1% in Argentina, Brazil, Colombia and Mexico respectively (see Figure 3.2).

In recent years, the share of total expenditure by the central government going to education has also grown. While in 2004 public expenditure on education as a percentage of central government expenditure was 18.6%, by 2013 it had grown to 28.2% (see Figure 3.3). All educational levels contributed to this growth. In real terms, public spending on education grew at an annual rate of 10% between 2004 and 2013. Public spending on early childhood and pre-primary education had the greatest increase during this period (average annual growth rate of 12%), followed by secondary education (9.7%), primary education (8.5%) and tertiary education (8.5%) (INEED, 2015).

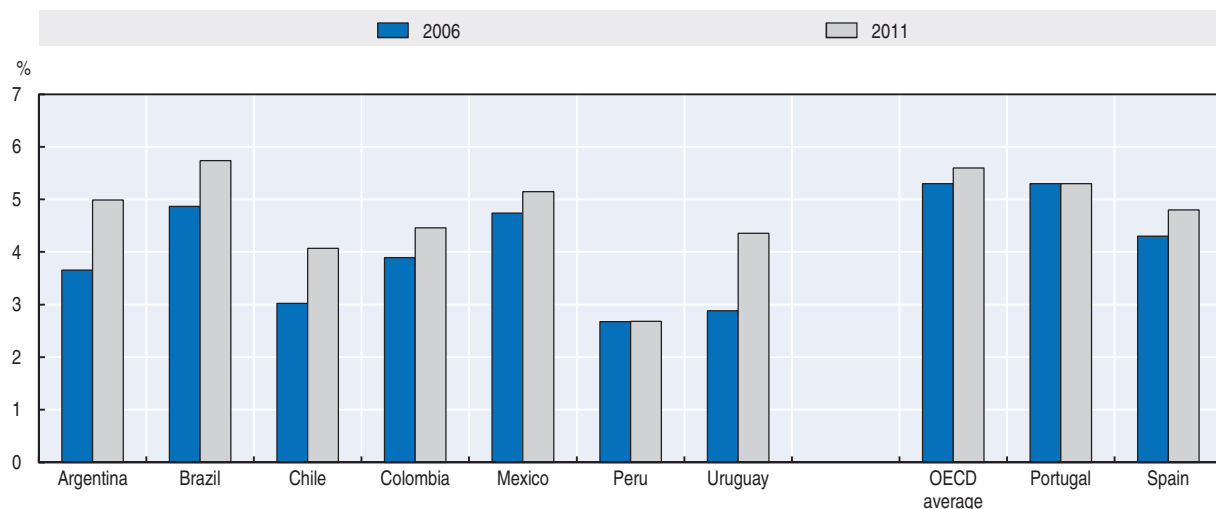
Sources of funding

In 2013, 76% of total resources spent on education were funded by the public sector while the remainder was privately funded from households, non-profit organisations and companies (see Figure 3.4). The vast majority of public resources are executed by public institutions (about 68% of total expenditure) while the remainder (about 8%) are executed by private institutions (CAIFs and tax waivers associated to private provision of education services). Public expenditure in education is managed mainly by the ANEP and the

Figure 3.1. **Total expenditure on education as a percentage of GDP by source, 2004-13**

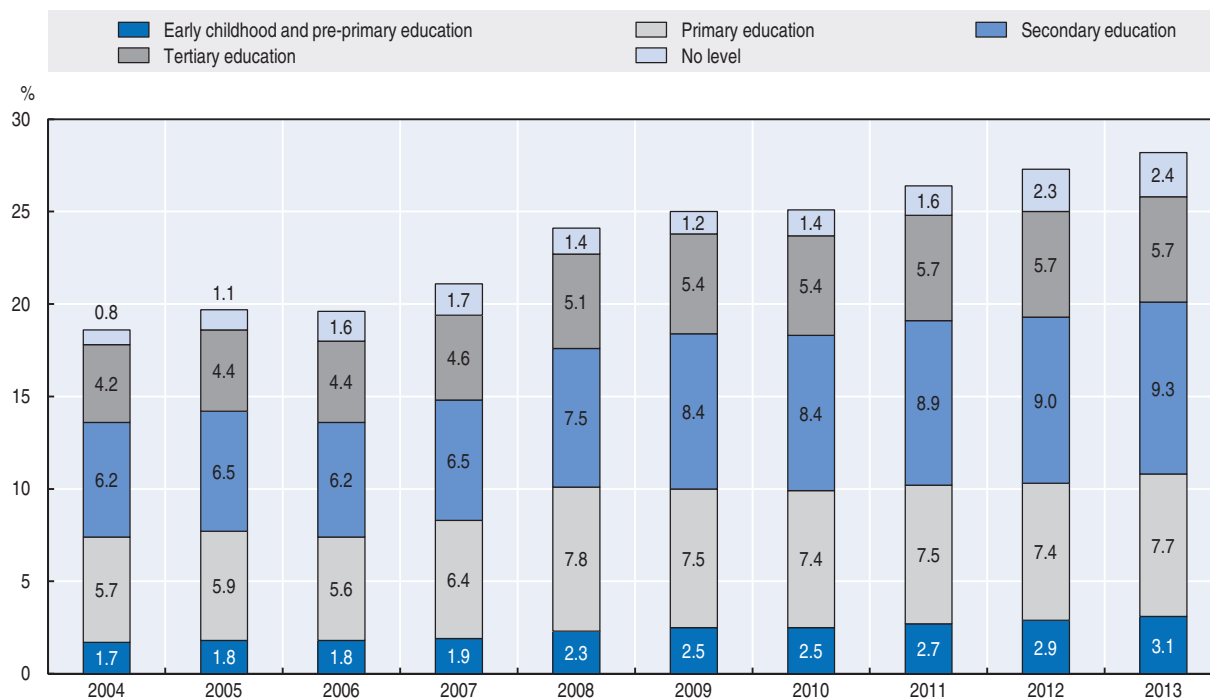
Note: Tax waivers refer to taxes or contributions waived in favour of the development of (typically private) institutions that operate in the education sector. Private expenditure includes household expenditure, expenditures by non-profit institutions and donations from companies. Information on tax waivers is not available for 2004.

Source: INEED (2015), *OECD Review of Policies to Improve the Effectiveness of Resource Use in Schools: Country Background Report for Uruguay*, www.oecd.org/education/schoolresourcesreview.htm.

Figure 3.2. **Public expenditure on education as a percentage of GDP, selected countries, 2006 and 2011**

Source: UNESCO (n.d.), UIS.Stat Database, <http://data.uis.unesco.org>, for Latin American countries; OECD (2014), *Education at a Glance 2014: OECD Indicators*, <http://dx.doi.org/10.1787/eag-2014-en>; OECD (2009), *Education at a Glance 2009: OECD Indicators*, <http://dx.doi.org/10.1787/eag-2009-en>, for OECD average, Portugal and Spain.

Universidad de la República (UDELAR) (Figure 3.4). However, other institutions such as the MEC (regulatory functions and provision of certain services), INAU (for the operation of CAIFs), the Technological University (UTEC), the Ministry of Defence (military education) and the Ministry of Interior (policy education) also execute part of the public education budget. Furthermore, the Ministry of Social Development (MIDES) also manages funds for public education through the operation of a range of social programmes. The almost totality of private resources to education comes from household payments to private

Figure 3.3. **Public expenditure on education as a percentage of central government expenditure by education level, 2004-13**

Note: Secondary education includes general programmes (under the Secondary Education Council, CES) and technical-professional programmes (under the Technical and Professional Education Council, CTEP). Expenditure by CTEP at the tertiary level is included under “secondary education” (this expenditure is a minor part of the total expenditure by CTEP).

Source: INEEd (2015), *OECD Review of Policies to Improve the Effectiveness of Resource Use in Schools: Country Background Report for Uruguay*, www.oecd.org/education/schoolresourcesreview.htm.

institutions (e.g. tuition fees charged by private schools and tertiary education institutions). Private expenditure is more significant in secondary education (in 2013, 38% of total private expenditure), followed by primary education (29%), tertiary education (19%) and early childhood and pre-primary education (13%) (INEEd, 2015).

In international comparison, the proportion of resources coming from the public sector – about 75% in 2012 when all educational levels are considered – appears to be low (see Figure 3.5): the OECD average is around 84% and the equivalent proportions in Argentina and Mexico are 87% and 80% respectively (see Figure 3.5). This is quite typical of other countries in Latin America as Chile and Colombia (Morduchowicz and Duro, 2009).

The main source for the public funding of education is the national budget. There is also some funding from the departmental governments, mostly associated with land transfers, infrastructure for schools or some support for specific projects. Data on the financial contribution of departments to education are not available but there is the perception that it represents a very small fraction of total resources allocated to education. Another source on which there is no actual data refers to voluntary parental monetary and non-monetary donations to schools, typically organised through parental associations. Given the tight budget restrictions on which individual schools operate, parental donations are common and more so in primary education. Finally, public schools can also be financed through the sale of products and services by individual schools. This occurs, in particular, in schools providing technical-professional programmes.

Figure 3.4. **Total expenditure in education by type of financing and provision, 2013**

		Provision		
		public	private	
Financing	public	(I.a) Financing, public provision 67.7%	(II.a) CAIF 1.96%	76.14%
		(I.b) Tax waiver, public provision 0.05%	(II.b) Tax waiver, private provision 6.39%	
	private	(III) Company donations to public institutions ¹ 0.01%	(IV.a) Company donations to private institutions ¹ 0.03%	23.86%
			(IV.b) Household payments to private institutions ² 23.82%	
		67.80%	32.20%	100%

1. Only donations executed by Law No. 18 834 are considered;

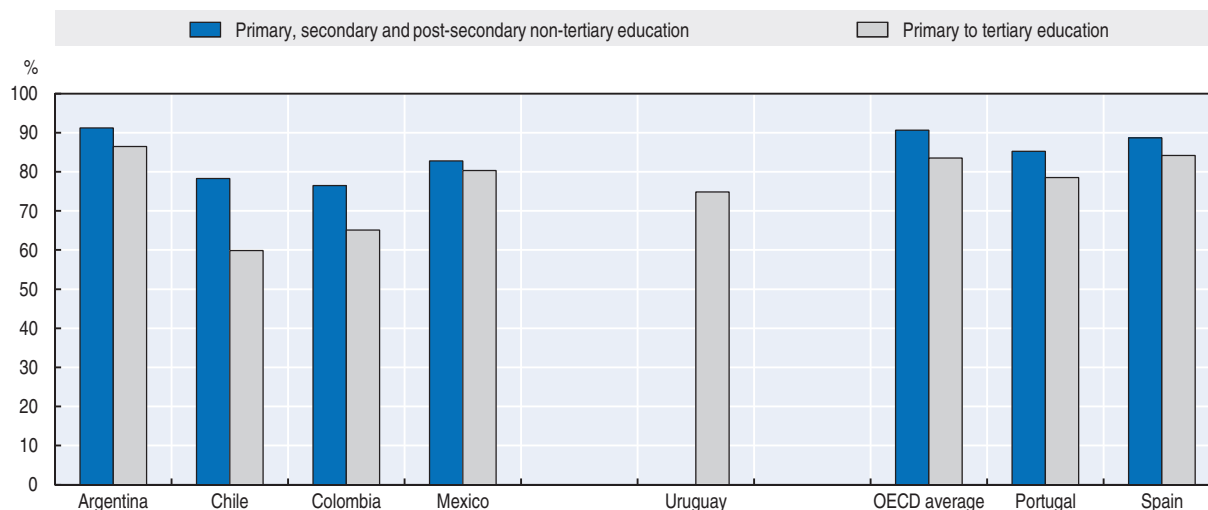
2. Household payments to private institutions consider expenditure in tuition fees in pre-primary, secondary and tertiary education institutions, and extracurricular education.

Source: INEEd (2015), *OECD Review of Policies to Improve the Effectiveness of Resource Use in Schools: Country Background Report for Uruguay*, www.oecd.org/education/schoolresourcesreview.htm.

Funding across education levels

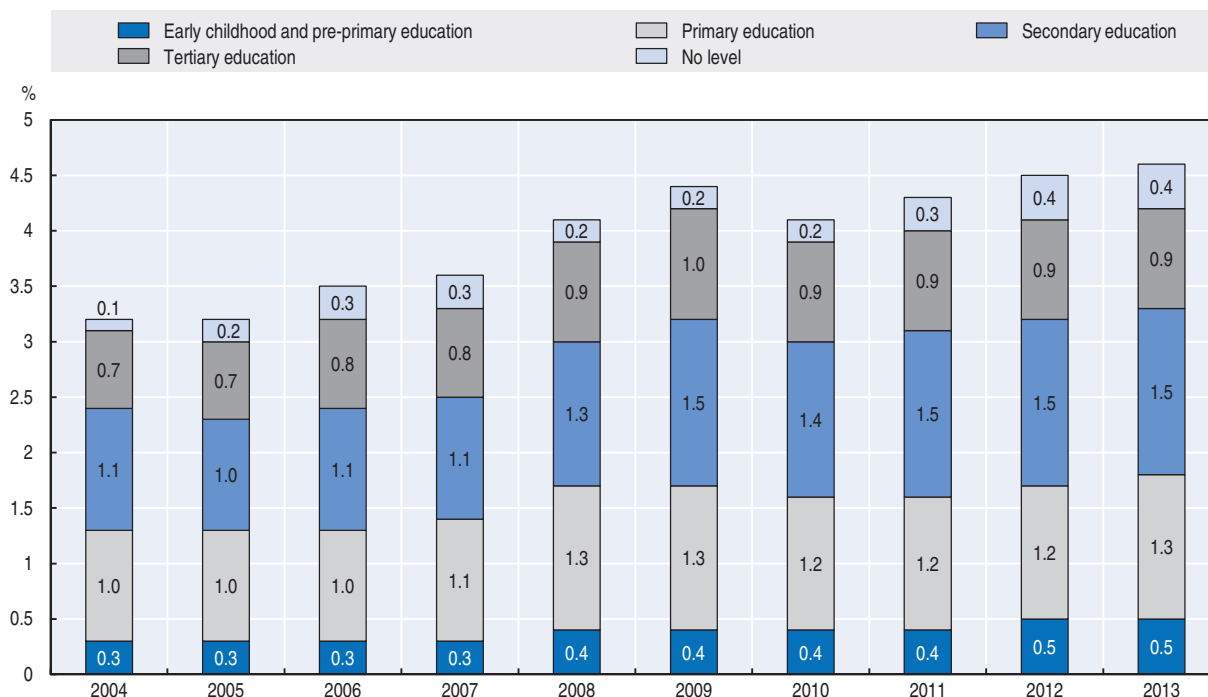
Figure 3.6 shows public expenditure on education as a share of GDP by level of education between 2004 and 2013 while Figure 3.7 compares Uruguay's 2011 public expenditure on pre-tertiary education as a share of GDP with that of other countries. Between 2004 and 2013, public expenditure as a share of GDP grew for each educational level. For pre-tertiary education as a whole, it went from 2.4% in 2004 to 3.3% in 2013 (see Figure 3.6). However, in 2011, public spending in pre-tertiary education as a share of GDP was considerably below the OECD average and below that of other Latin American countries. For that year, while in Uruguay public expenditure on pre-tertiary education as a share of GDP stood at 3.0%, it was 4.2% on average across OECD countries and reached 4.0%, 4.8%, 3.1%, 3.5% and 3.9% in Argentina, Brazil, Chile, Colombia and Mexico respectively (see Figure 3.7). Comparably low public spending levels (as a share of GDP) are prevalent at each educational level (pre-primary education, primary education and secondary education).

The distribution of public expenditure on education has been relatively stable across education levels, as shown in Figure 3.8. Between 2004 and 2013, relative public expenditure increased in pre-primary education and in spending across education levels; remained rather stable in secondary education; and decreased in primary and tertiary education.

Figure 3.5. **Proportion of public expenditure on educational institutions by level of education, 2012**

Note: Data for Uruguay include household expenditure, expenditures by non-profit institutions and donations by companies as well as expenditure on early childhood and pre-primary education.

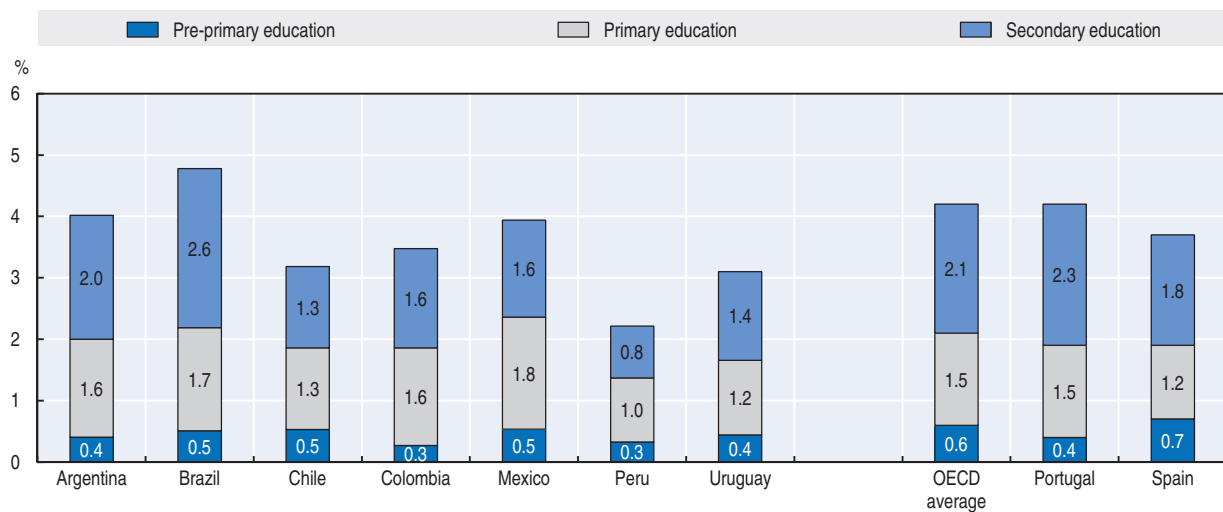
Source: OECD (2015), *Education at a Glance 2015: OECD Indicators*, <http://dx.doi.org/10.1787/eag-2015-en> for all data points except Chile, Colombia and Uruguay; OECD (2014), *Education at a Glance 2014: OECD Indicators*, <http://dx.doi.org/10.1787/eag-2014-en> for Chile and Colombia; INEED (2014), *Informe sobre el estado de la educación en Uruguay 2014* (Report on the state of education in Uruguay 2014), <http://ieeuy2014.ineed.edu.uy/>, for Uruguay.

Figure 3.6. **Public expenditure on education as a percentage of GDP by education level, 2004-13**

Note: Secondary education includes general programmes (under the Secondary Education Council, CES) and technical-professional programmes (under the Technical and Professional Education Council, CETP). Expenditure by CETP at the tertiary level is included under "secondary education" (this expenditure is a minor part of the total expenditure by CETP).

Source: INEED (2015), *OECD Review of Policies to Improve the Effectiveness of Resource Use in Schools: Country Background Report for Uruguay*, www.oecd.org/education/schoolresourcesreview.htm.

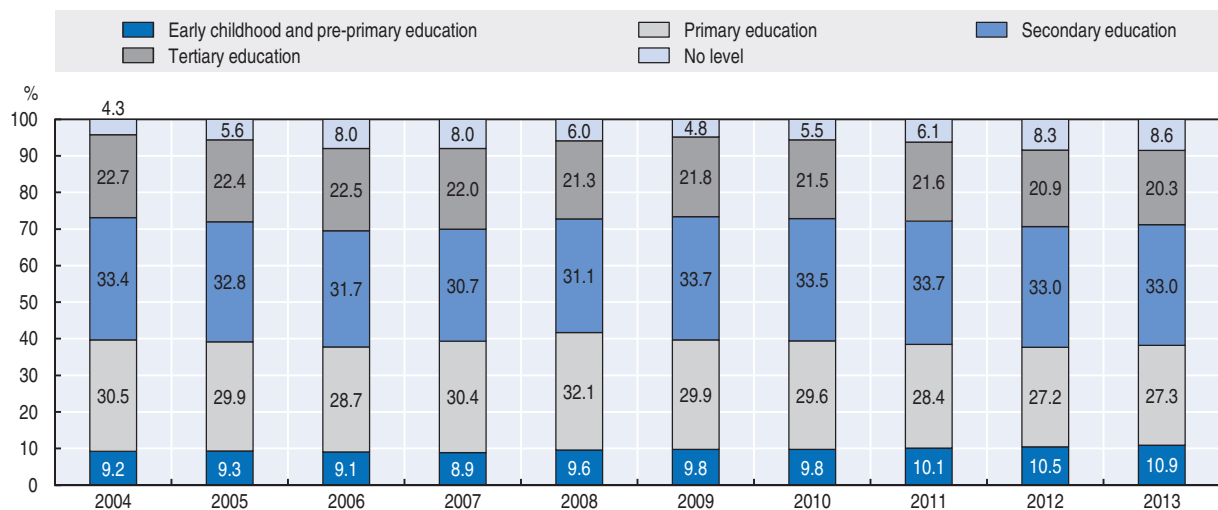
Figure 3.7. **Public expenditure on pre-tertiary education as a percentage of GDP by education level, selected countries, 2011**



Note: Data for pre-primary education refers to children 3 years and older.

Source: UNESCO (n.d.), UIS.Stat Database, <http://data.uis.unesco.org> for Latin American countries; OECD (2014), *Education at a Glance 2014: OECD Indicators*, <http://dx.doi.org/10.1787/eag-2014-en> for OECD average, Portugal and Spain.

Figure 3.8. **Distribution of public expenditure on education across education levels, 2004-13**

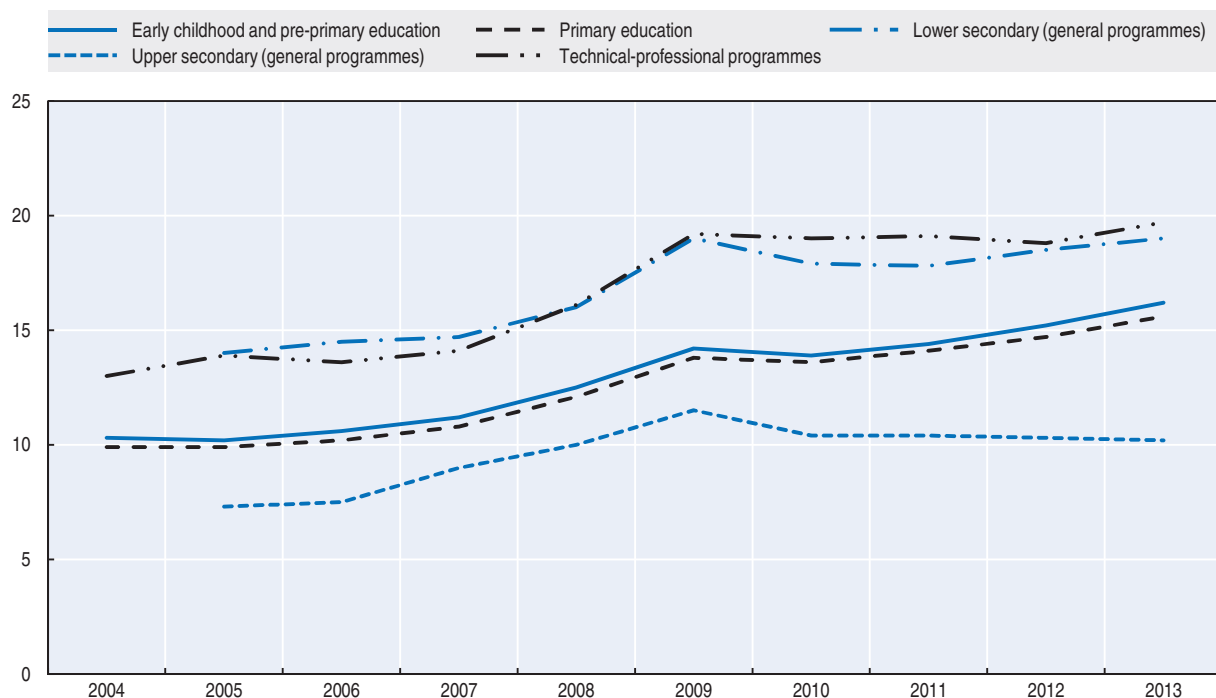


Note: Secondary education includes general programmes (under the Secondary Education Council, CES) and technical-professional programmes (under the Technical and Professional Education Council, CETP). Expenditure by CETP at the tertiary level is included under "secondary education" (this expenditure is a minor part of the total expenditure by CETP).

Source: INEEd (2014), *Informe sobre el estado de la educación en Uruguay 2014* (Report on the state of education in Uruguay 2014), <http://ieeuy2014.ineed.edu.uy/>.

In terms of public expenditure per student relative to GDP per capita, as displayed in Figure 3.9, technical-professional programmes and general programmes in lower secondary education receive the greatest level of resources, followed by early childhood and pre-primary education, and primary education. The lowest level of public expenditure per student (relative to GDP per capita) is that for general programmes in upper secondary education. As a proportion of GDP per capita, public expenditure per student has grown between 2004 and 2013, even if so at a higher rate between 2004 and 2009. Between 2009

Figure 3.9. **Annual public expenditure per student relative to GDP per capita by education level and type, 2004-13**



Note: Data refer to spending by the National Public Education Administration (ANEP). As a result, data for early childhood and pre-primary education do not include public funds managed by the Ministry of Education and Culture (MEC) and by the Child and Adolescent Institute of Uruguay (INAU). Also data on technical-professional programmes include expenditure by the Technical and Professional Council (CETP) at the tertiary level (this expenditure is a minor part of the total expenditure by CETP).

Source: INEEd (2014), *Informe sobre el estado de la educación en Uruguay 2014* (Report on the state of education in Uruguay 2014), <http://ieeuy2014.ineed.edu.uy/>.

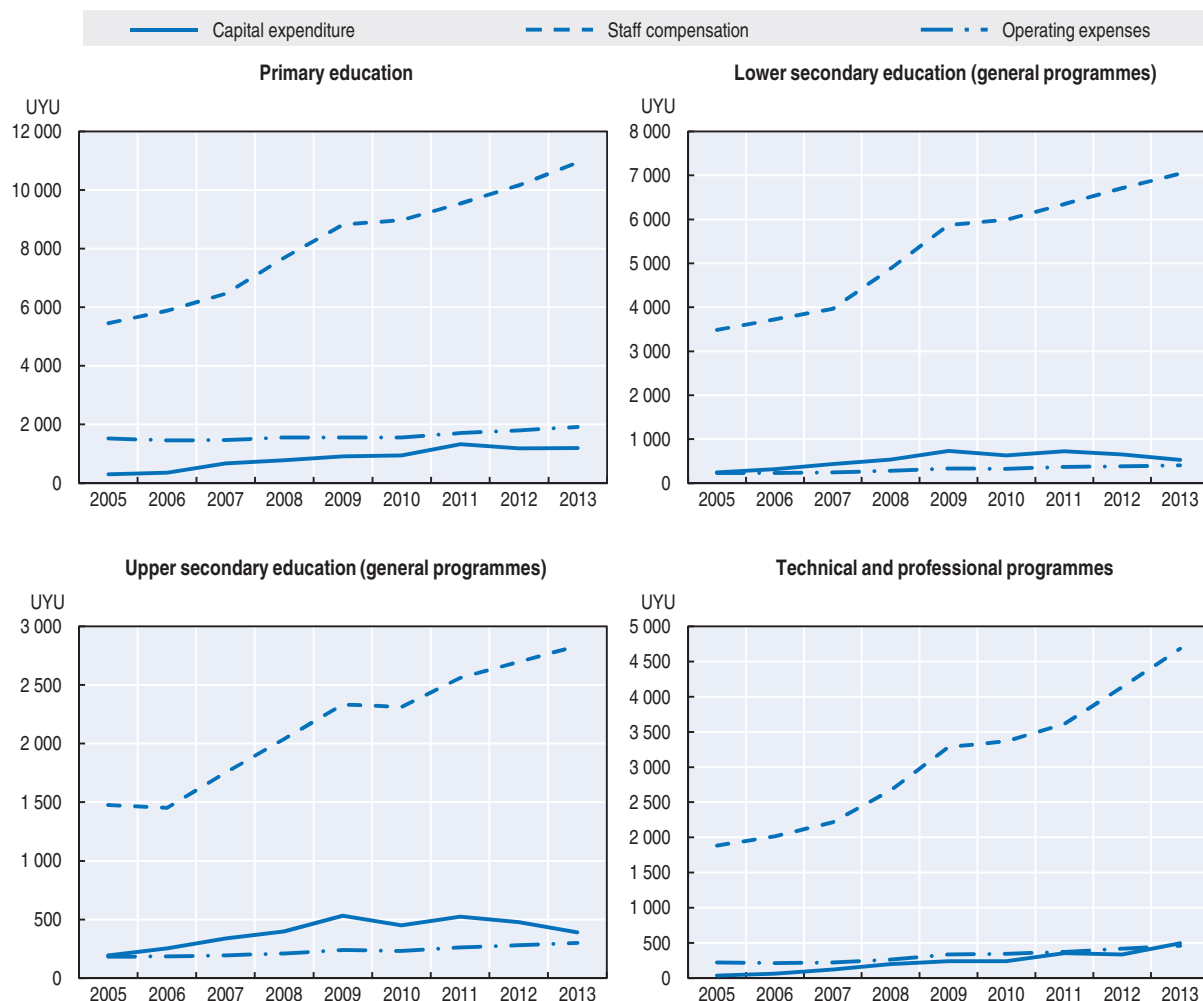
and 2013, growth has been slower and, in upper secondary general programmes, public expenditure per student has decreased as a proportion of GDP per capita.

Considering only public expenditure executed by ANEP, in 2013, technical-professional programmes had the highest level of expenditure per student (USD 3 074 per student per year), followed by early childhood and pre-primary education (USD 2 527), primary education (USD 2 438), and general programmes in secondary education (USD 2 364) (INEEd, 2015). ANEP spending on technical-professional programmes grew 179% in real terms between 2004 and 2013. ANEP resources devoted to pre-primary, primary and secondary education grew at lower rates but also in a significant way: 124%, 97% and 100% respectively (INEEd, 2015). Real public expenditure per student (executed by ANEP) also grew significantly between 2004 and 2013 – it practically doubled at all pre-tertiary educational levels (INEEd, 2015).

Funding across resource categories

Figure 3.10 displays annual public expenditure by resource category by education level and type between 2005 and 2013. It shows that for the different education levels and types, growth in staff compensation has been considerably more significant than that for capital expenditure and operating expenses. Considering all pre-tertiary education levels together, in 2013, 81% of the expenditure executed by ANEP went to staff compensation, while 10% went to operating expenses (e.g. materials, supplies) and 9% went to capital expenditure (infrastructure and educational equipment) (INEEd, 2015). Between 2004 and 2013, real

Figure 3.10. **Annual public expenditure by resource category, by education level and type, 2005-13**

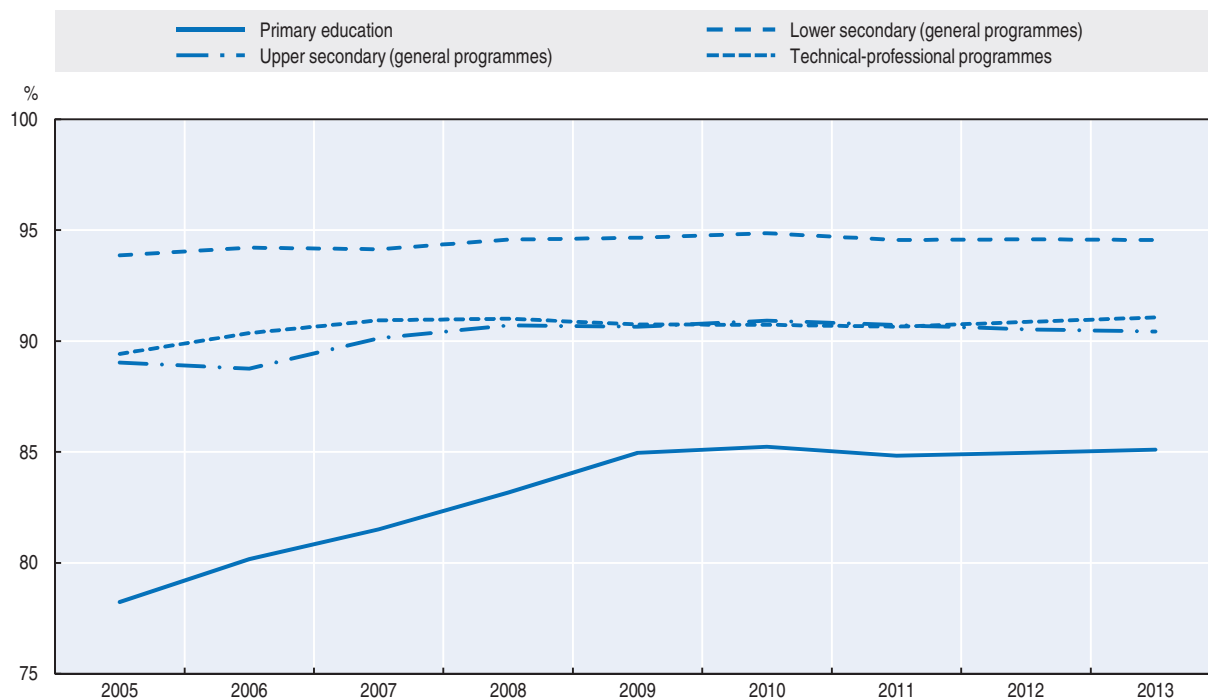


Note: Figures are in UYU million (2013 constant prices). Data refer to spending by the National Public Education Administration (ANEP). Data on technical-professional programmes include not only lower and upper secondary programmes but also expenditure by the Technical and Professional Council (CETP) at the tertiary level (this expenditure is a minor part of the total expenditure by CETP). Source: INEED (2014), *Informe sobre el estado de la educación en Uruguay 2014* (Report on the state of education in Uruguay 2014), <http://ieeuy2014.ineed.edu.uy/>.

expenditure on staff compensation grew about 125%, while such growth stood at about 75% for capital expenditure and about 50% for operating expenses (INEED, 2015).

As shown in Figure 3.11, public expenditure on staff compensation as a proportion of current public expenditure is particularly high in general programmes in lower secondary education (about 95%) while it is slightly above 90% in technical-professional programmes and in general programmes in upper secondary education. In primary education, such proportion grew from about 78% in 2005 to about 85% in 2013 (see Figure 3.11). As displayed in Figure 3.12, expenditure on staff compensation as a proportion of total expenditure in public institutions is relatively high in Uruguay. In 2011, this proportion was about 80% in primary education and 86% in secondary education, above the OECD averages of around 74% and 73% respectively. However, other Latin American countries such as Argentina, Colombia and Mexico exhibited even higher proportions of expenditure on staff compensation (see Figure 3.12).

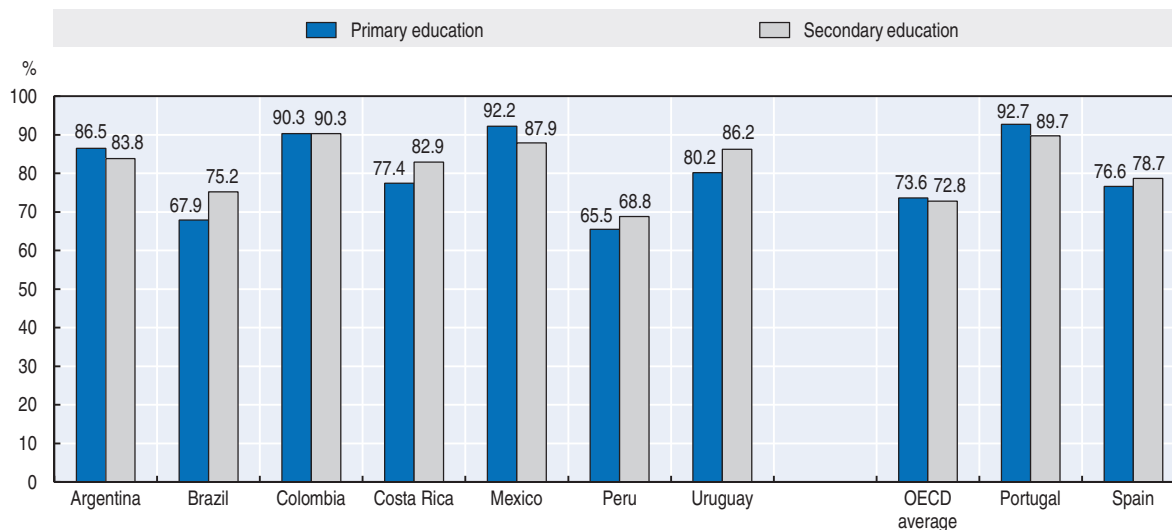
Figure 3.11. **Public expenditure on staff compensation as a proportion of current public expenditure, 2005-13**



Note: Current expenditure includes both expenditure on staff compensation and operating expenses. Data refer to spending by the National Public Education Administration (ANEP). Data on technical-professional programmes include not only lower and upper secondary programmes but also expenditure by the Technical and Professional Council (CTP) at the tertiary level (this expenditure is a minor part of the total expenditure by CTP).

Source: INEEd (2014), *Informe sobre el estado de la educación en Uruguay 2014* (Report on the state of education in Uruguay 2014), <http://ieeuy2014.ineed.edu.uy/>.

Figure 3.12. **Expenditure on all staff compensation as a proportion of total expenditure in public institutions by level of education, selected countries, 2011**



Note: Data for "OECD average" refer to expenditure by educational institutions from both public and private sources.

Source: UNESCO (n.d.), UIS.Stat Database, <http://data.uis.unesco.org> for Latin American countries; OECD (2014), *Education at a Glance 2014: OECD Indicators*, <http://dx.doi.org/10.1787/eag-2014-en> for OECD average, Portugal and Spain.

Budget planning and execution in education

The planning and execution of the public school education budget is performed in an interaction between institutions which execute the education budget (mostly ANEP but also MEC, INAU and MIDES) and institutions which grant the school education budget and monitor its execution (the Uruguayan government through the Ministry of Economy and Finance, MEF). Considering only the budget executed by the ANEP (responsible for the vast majority of public expenditure in school education), the CODICEN is responsible for establishing a five-year draft budget for negotiations with MEF. The different education councils (CEIP, CES, CETP and CFE) are invited to submit their proposals based on guidelines established by the CODICEN. The CODICEN negotiates with 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. Once the five-year budget is established, the CODICEN reviews expenditure plans for CEIP, CES, CETP and CFE and assesses resource availability to finance the actions proposed by the education councils (Nollenberger, 2013).

The MEF transfers the education budget to the ANEP according to three expenditure items: staff compensation, operating expenses and capital expenditure. However, the ANEP can transfer funds from “staff compensation” to “operating expenses” and up to 10% of funds from “capital expenditure” to “operating expenses”. The budget allocation within the ANEP is undertaken by the CODICEN following discussions with the education councils. In 2013, 89.6% of the budget was executed by individual education councils while 10.4% was directly executed by the CODICEN (INEED, 2015). Most of the expenditure under “staff compensation” and “operating expenses” is executed by education councils while capital expenditure is mostly executed by CODICEN (in 2013, 88% of it against the 12% executed by education councils, INEED, 2015).

The distribution of public resources for school education is conducted entirely at the central level, either by the CODICEN or education councils. There is no transfer of public education funds to regional authorities (departments) for local redistribution (but departments might incur in some spending in their schools from their own resources, mostly through infrastructure investments).

The budget allocation from the CODICEN to the education councils has a strong inertial component. Allocation tends to be historical which creates difficulties in shifting resources to new and more pressing spending priorities. The re-allocation experience so far relates to *ex post* transfers when a budget “surplus” from a given education council is transferred (via CODICEN) to another education council with a budget “deficit”. An example of this was the transfer, in recent years, of some CEIP resources to the CETP as a result of the decline in primary education enrolment and the growth of technical-professional programmes. This *ex post* re-allocation does not generally become permanent (INEED, 2015).

Funding the operation of individual schools

Each council (CEIP, CES, CETP) decides on the distribution of resources to individual schools within its subsystem. The CODICEN, however, also transfers resources to individual schools on a targeted basis through specific programmes (this is also the case for MIDES, see below). While no formal funding formula exists, and while no distribution criteria are publicly available, the OECD review team was informed that the funding for staff compensation is typically distributed on the following basis across individual schools:

- student enrolment level

- modality of school (common, full-time, extended-time, practice, *Aprender*), in pre-primary and primary education
- education cycle (pre-primary; primary; lower secondary; upper secondary), type of programme (general or technical-professional); and type of course (within technical-professional education)
- eligibility for extra staff (e.g. support teachers; CEIBAL teachers; community teachers; pedagogical counsellor teachers; bibliographic counsellor teachers; psychologists; social workers).

The estimation of enrolment levels together with the modality of the school and the type of programme/course allow education authorities to compute the number of student groups (classes) the individual school should operate (per education cycle, programme and course), therefore defining the teaching resources the school is allocated. The number of extra staff for each school is discretionary and depends strongly on the assessment of needs undertaken by inspections. These are also funded from targeted programmes, most of which seek to improve equity in education (see below). In secondary education, the number of some support staff (teacher leaders, pedagogical counsellor teachers; bibliographic counsellor teachers) is determined according to rules based on the number of student groups (e.g. one teacher leader per three or four student groups) (INEEd, 2015). Funding for special schools (which exist only in primary education) is processed separately and takes into account the severity of the disabilities individual schools attend.

Operating expenses, in turn, involve discretionary decisions by individual education councils as they centrally distribute materials and equipment to individual schools and directly pay their utilities' bills (e.g. water, heating, electricity). Within the CEIP, the allocation of education materials to individual schools is decided annually based on historical parameters weighted by the number of students and the modality of the school (e.g. full-time). Schools belonging to the most unfavourable contexts (mainly *Aprender* schools), are generally allocated more education materials. What materials should be purchased and distributed to schools is decided by a commission organised by the CEIP with the participation of the technical inspection and school leaders. Procedures are similar within CES and CETP (INEEd, 2015).

Finally, education councils also transfer some funds for individual schools to manage. These are typically very small amounts (often called "petty cash"), distributed monthly or bimonthly, and are typically earmarked for given operating expenses. The amount depends on the educational level, the modality of the school, student enrolment and the socio-economic context of the school. Examples of expenses managed by individual schools with these funds include cleaning supplies, meals for students (full-time and *Aprender* schools), supplies for repairs (*Aprender* schools), teaching materials (Practice schools and technical and agrarian schools) and school trips (agrarian schools). In primary education and especially in general secondary education, these funds are very small and barely cover cleaning supplies and minor repairs. For example, a general secondary school with 800 students is given about USD 107 per month as "petty cash" while a general secondary school with 1 500 students is given about USD 280 per month. In technical and agrarian schools the amount transferred is typically higher (INEEd, 2015).

Public funding of private provision

In general, private schools receive no public funding and operate on the basis of the fees charged to students for their attendance. Exceptions to this only exist in early childhood and pre-primary education through the public funding of privately-run CAIFs (regulated by INAU), the “Our Children” programme (regulated by MEC) and the voucher system embedded in the project “Care and Socio-Educational Inclusion for Early Childhood” (CISEPI, replaced, as of 2016, by a new programme, Scholarships for Socio-educational Inclusion, BIS). CAIFs provide early childhood education for children below three years of age and are run by an NGO which goes through a selection process in order to manage the respective CAIF. Public funding per student attending a CAIF corresponds, on average, to about 80% of the expenditure per student in early childhood schools run by ANEP. For the CISEPI project, families receive a voucher for an amount equivalent to the attendance fee capped according to the service hours provided (its replacement, the BIS programme, provides scholarships for children of vulnerable families to attend early childhood private provision in areas in which there is insufficient public provision). Also it should be mentioned that private schools benefit from tax exemptions (value-added tax, employer’s contribution to social security) and corporate donations to them are not taxable.

School autonomy in managing budgets

Schools have very limited financial resources which they manage autonomously. Teacher resources for each school are determined centrally alongside the selection and deployment of teachers to schools (see Chapter 5). Central authorities also establish the compensation system for school staff and operate the remuneration system (see Chapter 5). In addition, as described above, the major components of operating expenses (instructional materials, repairs) are under the direct control of the education councils. The councils provide the materials and services directly to the schools which have no say on the corresponding budget. Schools only manage a very small budget (“petty cash”) for small operating expenses (e.g. cleaning supplies, minor repairs) provided to them by the education councils. This small budget is earmarked and schools need to provide an account to central authorities on how it is spent. Given the tight budget constraints in which they operate, often schools rely on voluntary monetary and non-monetary parental assistance. For example, a common practice in schools is the organisation of raffles by parents as a fund-raising activity for schools.

Targeted funding and support to specific groups of students

As described in Chapter 2, there are over 130 programmes targeted at improving equity in education which involve the funding of specific groups of students or schools on a targeted basis. Some of these are described in Table 2.3. Examples of programmes which involve extra resources for schools to target at disadvantaged students or students with learning difficulties include the Community Teachers Programme, the Teacher + Teacher Programme (both in primary education) and the Tutorials Project (in secondary education). Some programmes involve direct financial transfers to students as with the scholarships to continue studies, the “Uruguay Studies” scholarship programme and the Educational Commitment Programme.

Extra funding for school education also includes the Meals at School Programme (*Programa de Alimentación Escolar*), which provides free meals in public primary schools; the Summer School Programme (*Programa Educativo de Verano*), which extends the school year

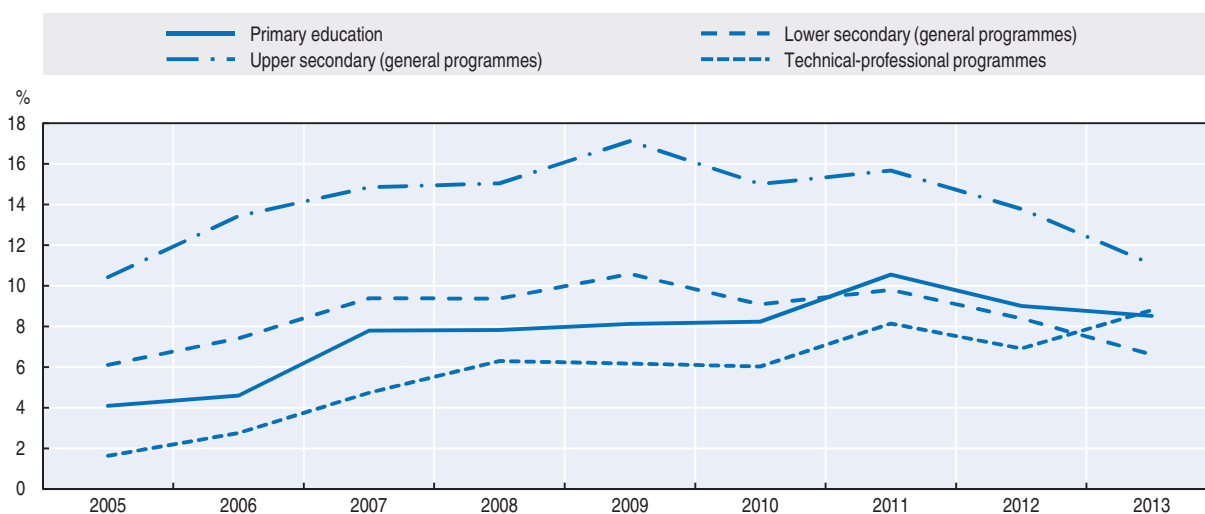
for 28 days in the summer for selected schools; and free transportation for all primary school students, free bus tickets for public secondary students and subsidised bus tickets for private secondary students.

Funding of school infrastructure

Trends in capital expenditure

Capital expenditure as a proportion of annual public expenditure on education fluctuates considerably, as shown in Figure 3.13. In the last few years, capital expenditure represents the greatest proportion of annual public expenditure in general programmes of upper secondary education (fluctuating between 10% and 18%). In the 2005-13 period, the proportion of capital expenditure has grown considerably in technical-professional programmes (from less than 2% to more than 8%) and less so in primary education (from about 4% to about 8%). Also, as depicted in Figure 3.14, in 2011, capital expenditure as a proportion of total expenditure in public institutions was lower in Uruguay (4.5% in primary education, 3.5% in secondary education) than in the average OECD country (7.7% in primary education, 7.1% in secondary education). For the same year, capital investment in school education was more significant in Argentina, Brazil and Peru than in Uruguay.

Figure 3.13. **Public capital expenditure as a proportion of annual public expenditure on education, 2005-13**



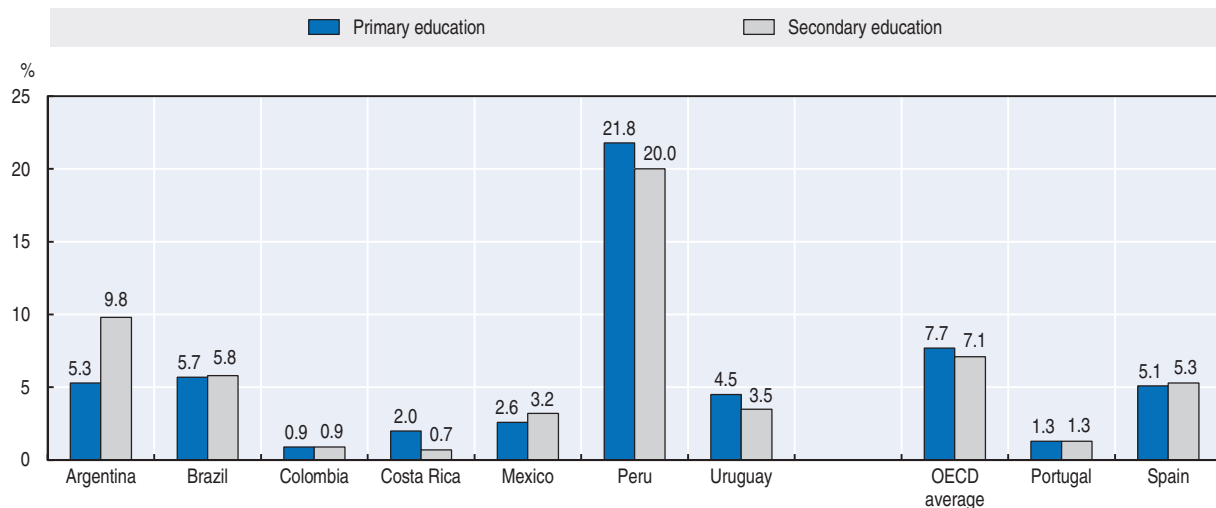
Note: Data refer to spending by the National Public Education Administration (ANEP). Data on technical-professional programmes include not only lower and upper secondary programmes but also expenditure by the Technical and Professional Council (CETP) at the tertiary level (this expenditure is a minor part of the total expenditure by CETP).

Source: INEEd (2014), *Informe sobre el estado de la educación en Uruguay 2014* (Report on the state of education in Uruguay 2014), <http://ieeuy2014.ineed.edu.uy/>.

Mechanisms to fund infrastructure investment

Major investments in the education infrastructure (new buildings and major renovations) are the responsibility of the CODICEN through its Sectorial Infrastructure Directorate (*Dirección Sectorial de Infraestructura*). The CODICEN assesses infrastructure needs with input from each education council, sets investment priorities and exercises discretion on infrastructure interventions within the available budget. Each education council assesses needs within its subsystem on the basis of the priorities identified by departmental education infrastructure committees. The latter exist in every department

Figure 3.14. **Capital expenditure as a proportion of total expenditure in public institutions by level of education, selected countries, 2011**



Note: Data for “OECD average” refer to expenditure by educational institutions from both public and private sources.

Source: UNESCO (n.d.), UIS.Stat Database, <http://data.uis.unesco.org> for Latin American countries; OECD (2014), *Education at a Glance 2014: OECD Indicators*, <http://dx.doi.org/10.1787/eag-2014-en>, for OECD average, Portugal and Spain.

and include representatives from each education subsystem. They cannot make decisions on infrastructure resource allocation but establish infrastructure priorities in the respective department. The CODICEN establishes a construction/renovation criticality index based on a survey of the conditions of school buildings in the education system while new infrastructure is informed by current education supply and projections for regional/local student enrolment. Most of the investment in infrastructure is channelled through the National Corporation for Development (*Corporación Nacional para el Desarrollo*), which carries out the infrastructure works at the request of ANEP (INEEd, 2015).

Each education council also manages a budget for small repairs and maintenance and for works of small and medium size. Within each subsystem, the infrastructure unit of the respective education council determines the priorities for intervention from the existing set of school requests. These decisions are informed by the views of inspectors who supervise the concerned schools. In general secondary education, the facility maintenance system is highly centralised, and any repairs must be requested from the infrastructure unit of the CES, which establishes a list of priorities. For example, a broken glass in a classroom requires three quotes and the selection of the best quote before the repair is undertaken. In pre-primary and primary education, these processes are organised at the department level which provides greater flexibility (INEEd, 2015).

In addition to infrastructure investment by ANEP, there are two specific programmes that allocate funds for capital expenditure: i) Support Programme for Public Primary Education (*Programa de Apoyo a la Enseñanza Primaria Pública*, PAEPU); and ii) Support Programme for Secondary Education and Training in Education (*Programa de Apoyo a la Educación Media y Formación en Educación*, PAEMFE). The PAEPU, funded by the World Bank, specifically supports infrastructure and equipment for full-time schools. The PAEMFE, funded by the Inter-American Development Bank, supports infrastructure and equipment in secondary education and teacher training institutions (INEEd, 2015).

Funding of equipment

With respect to the provision and use of ICT, the major initiative in Uruguay is the “CEIBAL Plan”, which was created in 2007. Its main component is the free distribution of laptops to students and teachers of public schools (at the primary and lower secondary levels). It is administered by an autonomous organisation (the CEIBAL Centre) and aims to “promote digital inclusion for greater and better access to education and culture”. In 2013, on a pilot initiative, tablets with education content were distributed to pre-primary and Year 1 students as well as teachers (INEEd, 2015).

The CEIBAL Plan also involves providing Internet connectivity to public schools as well as a variety of programmes to support students and teachers. The latter include training support teachers for the implementation of the Plan (CEIBAL teachers, deployed to individual schools), Internet platforms with educational content, the CEIBAL library, the CEIBAL English programme (videoconferencing classes for students in Years 4, 5 and 6) and the “Aprender Tod@s” Programme to promote digital inclusion through school projects. In addition, the CEIBAL Plan also allows online formative assessments to be organised nationwide (in Years 3 to 6). CEIBAL initiatives are targeted at public schools but private schools can access them through an individual agreement (INEEd, 2015).

With respect to the provision of textbooks, they are provided for free in pre-primary and primary education. Until recently, books for Years 1 to 6 were purchased from a publisher. However, books for Year 5 and 6 are now developed by the CEIP. In secondary education, there is no free distribution of textbooks. Students often borrow them from the school’s library (whose resources depend on local initiatives) or access the digital versions of some of them at the Internet-based CEIBAL library (INEEd, 2015).

Monitoring, transparency and reporting

The ANEP is required to annually present the execution of its budget to parliament. The presentation essentially involves the reporting of the executed expenditure according to major items and in specific programmes to assess compliance with planned expenditure. This reporting does not involve an assessment by ANEP on whether or not budget execution led to the achievement of given education targets. The description of the implemented actions is not supported by evidence of their impact on educational outcomes. In some instances, education indicators (e.g. enrolment rates, completion rates) are presented but with no established link to the implemented actions. Documents presented by ANEP to the parliament are publicly available (INEEd, 2015).

Control and monitoring of the executed expenditure is performed by ANEP’s internal audit, which reports to the CODICEN. It has jurisdiction over all the education councils and programmes operating within ANEP. Its tasks include monitoring the use of resources within the school system, assessing compliance with laws and regulations, analysing information systems to assess their reliability, and providing advice to ANEP in the fulfilment of its objectives. It can “propose corrective measures deemed appropriate in order to achieve greater efficiency and effectiveness in the use of resources, both human and material” (INEEd, 2015). ANEP’s internal audit has free access to all offices managed by ANEP, including individual schools. In practice, given resource constraints and the limited funds managed by individual schools, lead ANEP’s internal audit to concentrate its actions in the central units of the educational administration. The internal audit comprises one Internal General Auditor, three Central Internal Auditors, and Delegated Internal Auditors (INEEd, 2015).

The ANEP is controlled externally by the Court of Auditors (*Tribunal de Cuentas*), which is the entity that holds the treasury of all public finances. The Court of Auditors performs preventive controls of expenses and payments, control of administrative responsibility in financial and accounting tasks and “efficiency control”. In practice, it reviews the budgetary and financial balances of all ANEP councils and makes observations which can result in sanctions (INEEd, 2015).

The monitoring of the equitable distribution of education resources across student groups, individual schools and regions is not undertaken as current information systems do not readily allow expenditure per student to be disaggregated to the desirable level. Also, there is no tradition of programme and policy evaluation. An exception to this is the evaluation and monitoring of the CEIBAL Plan, which has an internal department dedicated to these tasks. Some programme evaluations are also carried out by CODIGEN’s Division for Research, Evaluation and Statistics (INEEd, 2015).

Finally, individual schools are required to report to the respective education council on the uses of the small budget they manage (“petty cash”). Some controls are performed to ensure this budget is spent on the items allowed (INEEd, 2015).

Strengths

There are considerable efforts in improving resourcing in education

As analysed earlier, the public funding of education has increased significantly in recent years both as a proportion of the GDP (3.2% to 4.6% between 2004 and 2013) and as a proportion of total public spending (18.6% to 28.2%, for the same period). In real terms, public spending on education grew at an average annual rate of 10% between 2004 and 2013. This reflects the growing importance of education as an area of public investment and a clear commitment of national authorities to improve resourcing in education. Indeed, the government which took office in 2015 set the ambitious target of converging to a public spending on education of 6% of GDP by the end of its term (INEEd, 2015). This political context offers favourable conditions to agree a medium-term plan for education policy with the objective of expanding education services and improving their quality.

The multiannual budget process potentially allows medium-term planning of education policy

Public spending in education is executed according to a five-year budget agreed between the ANEP and the Ministry of Economy and Finance. In theory, this provides an opportunity for medium-term planning in education whereby public spending in education is associated with medium-term goals and a set of policy measures to achieve them. The stability of education funding, the clarity of goals for education beyond the short-term and linking policy objectives to resourcing strategies, all of which benefit from a budget established on a longer horizon, are key elements for ensuring an effective use of school resources. In addition, as five-year budgets involve planning spending in given areas within education (e.g. staff compensation), there is greater room for stability in industrial relations with teacher unions to the potential benefit of the daily operation of schools. In fact, in this context, teacher remuneration would not need to be negotiated every year. Nonetheless, conflicts with teachers over salaries and working conditions are somewhat common (INEEd, 2015).

Another positive feature is the fact that five-year budgets provide enough flexibility for adjustments in annual education budgets. This involves the reassignment of funds

across spending items or additions to the budget as dictated by emergencies and the reassessment of priorities. For example, as referred to earlier, in recent years, enrolment trends have led some surpluses in CEIP's budget to be transferred to CETP's budget.

Funding distribution mechanisms have some positive features

The mechanisms to allocate resources to individual schools are well-established and, in general, accepted by the main stakeholders. There are no stakeholders voicing major criticisms about the approach followed by education councils to distribute resources across schools. While the distribution criteria are not made public and information on the amount of public resources each school receives is not disclosed, there is the perception that education councils distribute resources so as to ensure some horizontal equity across individual schools (i.e. similar resources are given to schools with similar type of provision). This involves distributing resources on the basis of the number of students, the modality of the school (e.g. common, full-time), the education cycle, the type of programme and the type of course. As a result, the allocation mechanism seeks to ensure that, in each school, a basic level of resources is made available that enables students, regardless of their socio-economic background, to benefit from a similar schooling experience (Morduchowicz et al., 2011).

While individual schools have no autonomy to manage financial resources, they receive a monthly small amount of money ("petty cash") to give them some minimal ability to respond to the most pressing maintenance needs. While this is certainly not an instrument giving individual schools enough resources to respond to their specific needs, it gives them some means to address emergency situations. These limited resources are also seemingly associated with a distribution mechanism which takes account of the type of school, its size and socio-economic context. Technical and agrarian schools receive more resources to take into account greater maintenance and more specific costs. As opposed to other schools, they receive funds for teaching materials, school trips, ICT equipment, and student boarding costs (e.g. meals at dormitories).

The funding of individual schools seems to be providing extra resources to disadvantaged students

While clear distribution criteria are not communicated publicly, individual schools receive extra resources to account for the additional learning needs of their students (i.e. vertical equity – more resources allocated to schools identified as having greater needs). This takes place in three major forms:

- The type of school attended.
- Some school modalities receive extra resources such as full-time schools, extended-time schools and *Aprender* schools while they tend to serve a more disadvantaged student population.
- Extra staff as part of the regular distribution of resources to individual schools by each education council.
- Some schools are eligible for extra staff such as support teachers, teacher leaders and social workers whose discretionary allocation by the education councils (with input from inspectors) tends to favour disadvantaged socio-economic contexts.
- Extra resources as part of specific educational programmes.

- Some schools are eligible for extra staff through their participation in specific equity-related educational programmes such as the Community Teachers Programme, the Teacher + Teacher Programme, the Tutorials Project and the Educational Community programme (see Chapter 2). Extra staff includes community teachers, teachers for the programme Teacher + Teacher, pedagogical facilitator teachers and tutor teachers.

There is evidence that these approaches are providing greater resources to schools facing the most challenging socio-economic contexts. In 2012, the teacher salary cost per student in urban common schools, full-time schools and *Aprender* schools was UYU 16 009, UYU 31 253 and UYU 19 146 respectively (considers regular teachers, support teachers and community teachers). And, as can be seen in Table 3.1, both full-time schools and *Aprender* schools tend to serve a more disadvantaged population than urban common schools which means that there is a bias towards allocating greater resources to schools attended by the most disadvantaged students.

Table 3.1. Distribution of public urban schools according to modality and socio-economic and cultural context, primary education, 2012

Modality	Socio-economic and cultural quintile						Total
	1	2	3	4	5	n/a	
Common urban (%)	0.8	1.4	35.2	35.8	26.8		100
Number of schools	3	5	129	131	98		336
<i>Aprender</i> (%)	50.2	49.1	0.4			0.4	100
Number of schools	136	133	1			1	271
Full-time (%)	20.6	28.2	23.5	12.9	9.4	5.3	100
Number of schools	35	48	40	22	16	9	170
Practice (%)		5.5	15.7	22.8	55.9		100
Number of schools		7	20	29	71		127

n/a: Not available.

Note: The distribution is based on an index formed by the ANEP on the basis of variables associated with the socio-economic and cultural context of urban common schools (covering 94% of enrolment in primary education). Quintile 1 refers to the 20% of the schools with the most disadvantaged contexts, Quintile 2 the 20% of schools that follow in the socio-economic and cultural index and so on up to Quintile 5, which refers to the 20% of the schools with the most advantaged contexts.

Source: INEEd (2014), *Informe sobre el estado de la educación en Uruguay 2014* (Report on the state of education in Uruguay 2014), <http://ieeuy2014.ineed.edu.uy/>.

Table 3.2 displays the distribution of selected resources (support teachers, teacher leaders or deputy-principals, social workers, and number of teachers relative to students) according to the socio-economic and cultural quintile of schools for public urban primary schools, for both 2003 and 2013. It is clear that resources such as support teachers and social workers are more prevalent in more disadvantaged schools while the overall level of such resources increased from 2003 to 2013. Regarding the overall amount of teacher resources *vis-à-vis* the number of students, there is no particular advantage for schools facing the most difficult socio-economic contexts but the most advantaged schools have the least favourable student-teacher ratios (while in 2003 student-teacher ratios were similar across the school's socio-economic context). By contrast, the most disadvantaged schools seemed to be receiving fewer resources in terms of teacher leaders or deputy-principals than the most advantaged schools, even if this resource gap decreased from 2003 to 2013.

Table 3.2. **Distribution of selected resources according to the socio-economic and cultural quintile of schools, public primary education, 2003 and 2013**

Quintile	Schools with support teacher (%)		Schools with teacher leader or deputy-principal (%)		Schools with social worker (%)		Student-teacher ratio	
	2003	2013	2003	2013	2003	2013	2003	2013
1	30.2	41.2	56.0	75.3	18.8	21.0	28.9	23.2
2	34.6	35.9	53.9	76.0	12.4	19.0	28.8	22.5
3	22.3	33.1	44.5	64.0	9.5	10.4	29.0	22.9
4	15.4	26.8	55.1	73.6	6.0	13.7	28.8	22.7
5	9.3	26.1	66.3	81.3	2.1	12.2	28.9	24.6
Total	22.3	32.6	54.7	74.0	12.0	15.2		
Difference Quintile 5 - Quintile 1	-20.9	-15.2	10.4	6.0	-16.7	-8.9		

Note: The distribution is based on an index formed by the ANEP on the basis of variables associated with the socio-economic and cultural context of public urban common schools (covering 94% of enrolment in primary education). Quintile 1 refers to the 20% of the schools with the most disadvantaged contexts, Quintile 2 the 20% of schools that follow in the socio-economic and cultural index and so on up to Quintile 5, which refers to the 20% of the schools with the most advantaged contexts.

Source: INEE (2014), *Informe sobre el estado de la educación en Uruguay 2014* (Report on the state of education in Uruguay 2014), <http://ieeuy2014.ineed.edu.uy/>.

Targeted funding conveys clear policy objectives and responds to important needs in the education system

As explained in Chapter 2, given that adjustments to educational policy are difficult to accomplish through the current institutional framework for education governance, a number of emerging policy objectives have been supported through the design and implementation of dedicated educational programmes. While the proliferation of education programmes is problematic in terms of the potential complexity of policy implementation, potential inefficiencies (e.g. duplication), and potential inconsistency of objectives, it has had the advantage of sending clear signals about policy priorities. A clear message had been the need for the education system to address existing inequities across student groups. This is demonstrated by the wide range of compensatory programmes available in the Uruguayan education system (see Chapter 2). As seen above, these have had an impact on the vertical equity of the system, with the provision of greater resources to student groups in greater need.

Another priority has been digital literacy for all students, mostly implemented through the large-scale CEIBAL Plan. The CEIBAL Plan is an ambitious initiative to bring Internet access and modern information technology to schools and promote the use of ICT in the learning process. Studies find that laptops are used in schools and that ICT has a positive impact on families and the school community. However, there is also evidence showing that laptops are not used to their full potential in the learning process (Pérez Gomar and Ravela, 2012; Winocur and Sánchez, 2012). Secondary schools, by contrast, might benefit from fewer resources for ICT. According to reports by school principals for PISA 2012, while the proportion of computers connected to the Internet in schools attended by 15-year-olds in Uruguay was 0.96 against an OECD average of 0.97 (Argentina: 0.71; Brazil: 0.92; Chile: 0.95; Colombia: 0.71; Costa Rica: 0.83; Mexico: 0.73; Peru: 0.65), the number of computers for educational purposes per student in the school was 0.40, against an OECD average of 0.68 (Argentina: 0.36; Brazil: 0.20; Chile: 0.49; Colombia: 0.48; Costa Rica: 0.53; Mexico: 0.28; Peru: 0.40) (OECD, 2013a).

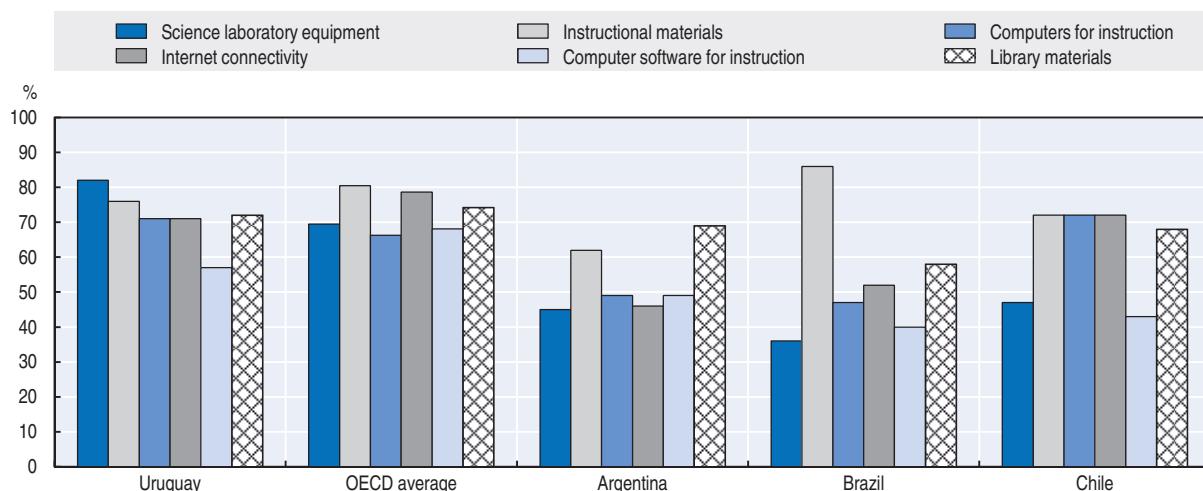
Programmes such as PAEPU and PAEMFE have also sent important signals about the need to improve educational infrastructure as a result of the expansion of education services (e.g. full-time schools in primary education; expansion of secondary education). Also, the provision of free textbooks in primary education ensures the availability of study resources is not dependent on the ability of families to acquire them. The distribution of textbooks to pre-primary and primary schools seems to be working well. In addition, the CEIBAL Plan developed an online platform where students can access a large variety of textbooks in e-format (over 300).

There is the perception that resourcing for some educational materials is adequate

In secondary education, school principals convey the perception that resourcing for some educational materials is adequate. For PISA 2012, school principals reported their perceptions about the state of educational resources available for their school. Figure 3.15 displays the results for Uruguay compared to those for the OECD average, Argentina, Brazil and Chile. It shows that, according to the perceptions of school principals, Uruguay fares well, especially when compared to other Latin American countries, in terms of science laboratory equipment, instructional materials, computers for instruction, Internet connectivity, computer software for instruction and library materials. Comparing perceptions by school principals in PISA 2003 and PISA 2012, the index of quality of schools' educational resources exhibits considerable improvement in Uruguay from 2003 to 2012 (one of the largest improvements among countries participating in PISA in both these years) (OECD, 2013a, Table IV.3.40). This seems to indicate that, in the last few years, resourcing arrangements for educational materials have had a positive impact in secondary schools. However, in 2012, the index of quality of schools' educational resources was significantly more favourable in private schools (in comparison to public schools), advantaged schools (especially in comparison with schools in the bottom quarter of the PISA index of economic, social and cultural status) and schools located in a large city (Montevideo) (OECD, 2013a, Table IV.3.15).

Figure 3.15. **School principals' perceptions of adequacy of educational resources, secondary education, 2012**

Proportion of 15-year-old students in a school whose principal reported that student learning was not hindered at all or hindered very little by a shortage or inadequacy of the following education resources:



Source: OECD (2013), PISA 2012 Results: What Makes Schools Successful: Resources, Policies and Practices (Volume IV), <http://dx.doi.org/10.1787/9789264201156-en>.

There is some flexibility of public funding to respond to critical situations of unmet demand

There are situations in Uruguay in which public funding is flexible enough to subsidise private provision of education services as a result of the inability of public provision to fully meet demand. This has been the case in early childhood and pre-primary education, through the public funding of privately-run CAIFs, the “Our Children” programme and the voucher system embedded in the project “Care and Socio-Educational Inclusion for Early Childhood”. This is a clear case where private provision brings considerable social benefits and introduces the principle of publicly funding education services regardless of the nature of the provider as long as their quality is guaranteed. This is an important means to expand the provision of education services in situations where it might prove challenging to develop public provision.

There are some provisions to monitor the use of public resources in education

Mechanisms to monitor the use of public resources in education concentrate on the management of financial resources at the central level, namely the execution of the budget by CODICEN and the education councils. This is understandable in light of the fact that very little public funding is managed at the school and departmental levels. Audit regulations are in place. Both ANEP’s internal audit and the external control by the Court of Auditors (*Tribunal de Cuentas*) have standardised procedures to periodically assess ANEP’s compliance with existing laws and regulations. Both bodies control the costs incurred by the different units of the ANEP. The Court of Auditors also makes comments on the budget and financial statements of all education councils. This is then expected to lead to specific actions for improvement on the part of the ANEP. Also, individual schools have very limited possibilities for the misuse of funds as they manage extremely limited budgets. Nonetheless, they are required to provide an account of how these limited budgets are used.

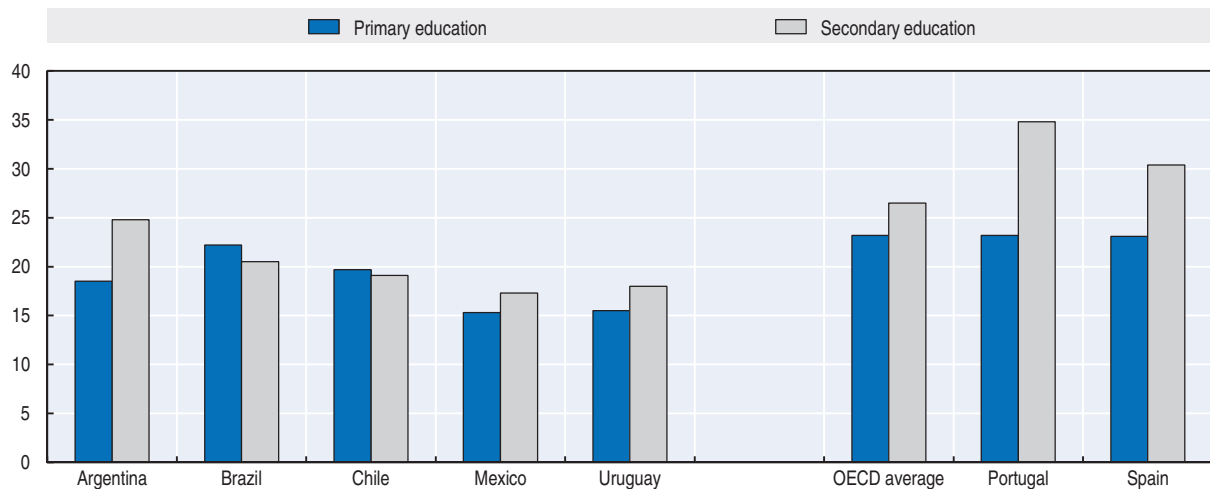
Challenges

Expenditure on education remains low particularly in the public sector

The relatively low level of expenditure on education has already been noted. A particularly good indicator of a country’s relative effort in resourcing education is the amount spent per student as a percentage of GDP per capita compared with other countries, since this takes account of differences in per capita GDP. From Figure 3.16 it can be seen that, in 2010, Uruguay spent 7.4 and 8.5 points less as a proportion of GDP per capita than the OECD average on primary and secondary education respectively. Uruguay’s figures for 2010 were also lower than those for Argentina, Brazil and Chile. As seen in Figure 3.9, public expenditure per student relative to GDP per capita appears to be particularly low in public general upper secondary programmes, clearly below international standards when compared to expenditure in secondary education in other countries (as displayed in Figure 3.16). This relatively low level of spending translates into inadequate spending on teacher and school leader salaries (see Chapters 4 and 5) and on learning materials, and challenges to meet the demand for pre-primary education places.

As analysed in Chapter 5, while there have been considerable efforts to increase the salaries of public teachers in recent years (real salaries of teachers in public schools have grown at higher rates than real salaries in the general economy within the last decade), the relative salaries of public teachers remain low. International research evidence indicates that teacher salaries have a positive impact on student performance (Dolton and

Figure 3.16. **Annual expenditure per student by educational institutions relative to GDP per capita, by education level, selected countries, 2010**



Note: Data for Argentina, Brazil and Portugal include public institutions only. Data for Uruguay include household expenditure and expenditures by non-profit institutions; and expenditure by the Technical and Professional Education Council (CETP) at the tertiary level is included under “Secondary education” (this expenditure is a minor part of the total expenditure by CETP).

Source: OECD (2013b), *Education at a Glance 2013: OECD Indicators*, <http://dx.doi.org/10.1787/eag-2013-en>, for all data points except Chile and Uruguay; OECD (2012b), *Education at a Glance 2012: OECD Indicators*, <http://dx.doi.org/10.1787/eag-2012-en>, for Chile; and INEED (2014), *Informe sobre el estado de la educación en Uruguay 2014* (Report on the state of education in Uruguay 2014), <http://ieeuy2014.ineed.edu.uy/> for Uruguay.

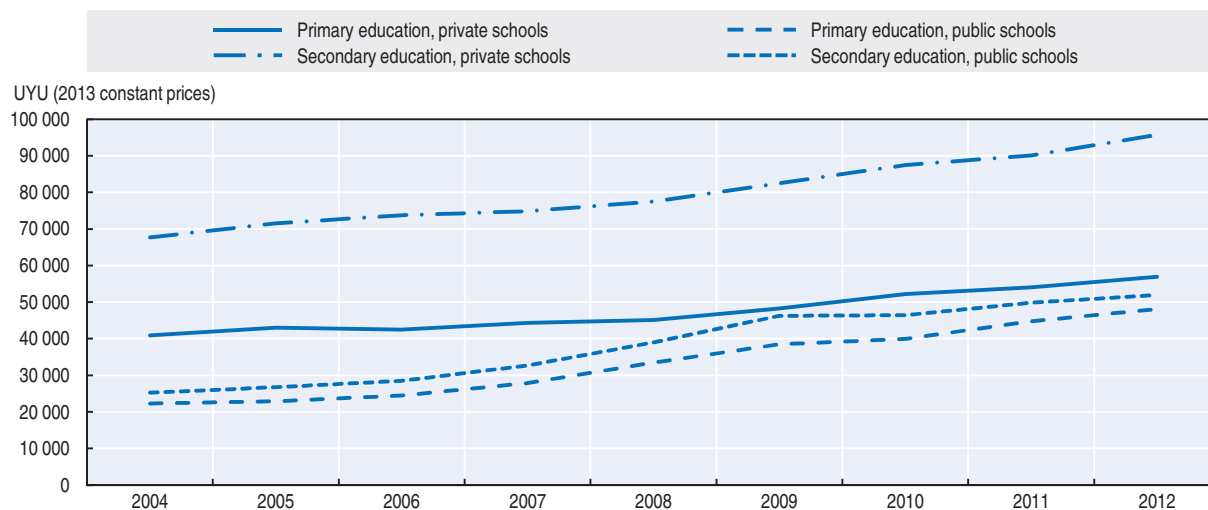
Marcenaro-Gutierrez, 2011). According to this research and in the context of the countries analysed (mostly OECD countries), a 15% increase in teacher pay would give rise to around a 6%-8% increase in student performance. Likewise, a 5% increase in the relative position of teachers in the salary distribution would increase student performance by around 6%-8%. In Uruguay the low pay of teachers impacts negatively on the quality of entrants into teaching, on public perceptions of the teaching profession and on the motivation of those already in the profession (see also Chapter 5).

The current low expenditure on education comes in a context in which there is a variety of pressures for further public spending on education. The expansion of coverage, particularly in secondary education and in early childhood and pre-primary education, should remain an education priority. This will come alongside the expansion of tertiary education. In addition, there is still considerable room to expand learning time across the different education levels, particularly in primary education. Full-time schools still cover a small share of primary education students (about 10% in 2013, see Table 1.4). And, as mentioned above, continued efforts to raise the salaries of public teachers are expected.

Expenditure per student in the public school sector is considerably lower than in the private sector

Expenditure per student in both primary and secondary education has been consistently lower in the public sector than in the private sector, as shown in Figure 3.17. Spending differences across sectors have shrunk in both primary and secondary education during the period 2004-12, even if more significantly so in primary education. In primary education, while in 2004 expenditure per student in public schools corresponded to about 54% of expenditure per student in private schools, this proportion rose to 84% in 2012. In secondary education, the equivalent proportions were 37% in 2004 and 54% in 2012 (see Figure 3.17).

Figure 3.17. **Annual expenditure per student by education level and sector of provision, 2004-12**



Note: Public secondary education includes general programmes (under the Secondary Education Council, CES) and technical-professional programmes (under the Technical and Professional Education Council, CTEP). Expenditure by CTEP at the tertiary level is included under “Secondary education, Public” (this expenditure is a minor part of the total expenditure by CTEP).

Source: INEEd (2015), *OECD Review of Policies to Improve the Effectiveness of Resource Use in Schools: Country Background Report for Uruguay*, www.oecd.org/education/schoolresourcesreview.htm.

The lack of adequate funding might be hampering student achievement

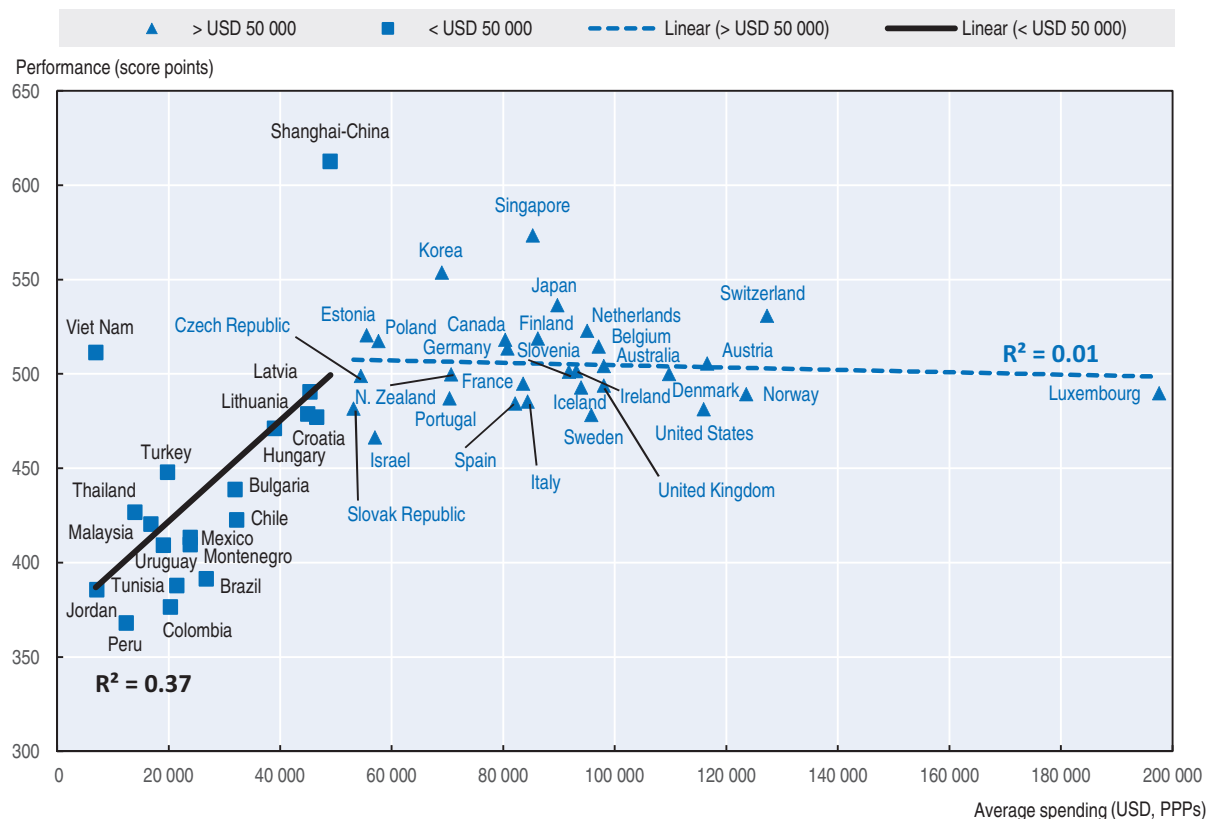
Among the 65 economies participating in the 2012 round of PISA, Uruguay finds itself in the bottom 15 both in terms of average mathematics performance and cumulative spending per student. Although the relationship between the learning achievement of 15-year-olds and the amount spent on their schooling is not purely causal, research has shown that a minimum level of financing is required to ensure that students have access to materials and resources necessary for learning (World Bank, 2013). Moreover, countries that fall below the cumulative spending per student threshold of roughly USD 50 000 in purchasing power parity (PPP) terms are more likely to see a correlation between cumulative spending per student and PISA performance (OECD, 2013a) (see Figure 3.18). Uruguay finds itself within this range, suggesting that increases in spending on education may contribute to learning gains.

There is scope to increase public expenditure on education in Uruguay. Countries with similar or lower levels of GDP invest proportionally more in the education sector, as is the case of Argentina, Brazil, Colombia and Mexico, see Figures 3.2 and 3.7). The lack of adequate resources in schools can hamper the quality of learning environments. While larger education budgets are no guarantee of better education quality, a minimum level of spending is necessary for ensuring good quality education provision. A school system that lacks quality teachers and adequate infrastructure will almost certainly fail to promote quality education.

Budget planning is not strategic

At the national level, five-year budgeting processes are embedded in a strong legal framework. However, the budget documents do not typically provide clearly defined educational objectives, actions, goals and target results. The budget requests submitted by ANEP to the MEF are typically not presented with a vision of the school system as a whole

Figure 3.18. **Spending per student from the age of 6 to 15 and mathematics performance in PISA 2012**



Note: Only countries and economies with available data are shown. A significant relationship ($p < 0.10$, at 10% significance level) is shown by the solid line. A non-significant relationship ($p > 0.10$, at 10% significance level) is shown by the dotted line.

Source: OECD (2013), PISA 2012 Results: What Makes Schools Successful: Resources, Policies and Practices (Volume IV), <http://dx.doi.org/10.1787/9789264201156-en>, Figure IV.1.8.

and do not clearly establish priorities for public spending. This results in the development of five-year education budgets that only weakly link to medium- and long-term strategies for the education sector. Linkages between strategic and budget frameworks typically help to provide governments with a clearer picture of where public finances are being spent, to allocate resources to policy priorities, and to make it easier to track spending against the achievement of policy outcomes. However, subsequently to the visit by the OECD review team, ANEP established annual targets for the period 2016-20 in its 2015-19 Budget Plan covering 61 indicators in a range of areas (e.g. percentage of students attending full-time schools; number of graduates from initial teacher education) (see Chapter 7 in ANEP, 2015).

A reflection of the lack of alignment between funding strategies and education policy objectives (through a strategic preparation of the education budget) is the inertial allocation of budgetary funds from the CODICEN to the education councils. As elaborated in Chapter 2, the execution of the budget follows the same separation logic as the governance of education across the individual education councils. This makes it difficult to follow a whole-of-education system approach to education policy, including adequately allocating public resources to areas of priority (e.g. education levels or types of programmes). As explained earlier, the current approach makes it difficult to shift resources across education councils for new and more pressing spending priorities.

Mechanisms to fund individual schools lack transparency and do not adequately respond to school needs***The funding of individual schools lacks transparency***

While each education council seems to have an established algorithm to distribute public resources to individual schools, the parameters defining the basis for the distribution are not made public. As a result, the distribution of resources across schools lacks transparency. Schools are not provided with clear information on the bases used to differentiate the distribution of resources between them. Hence, there might be instances in which one school does not understand why it receives more or less resources than another school with similar characteristics. It is known that the level of staff resources are based on enrolment levels, the modality of the school, the education level and the type of programme/course but the relative weights applied (e.g. teacher resources in general versus technical-professional programmes) are not publicly disclosed. The lack of transparency might be partly explained by the absence of a rationale for the algorithms used by each of the education councils (and their likely historical basis) as well as the possible lack of articulation between the algorithms independently developed by each education council. In addition, the extra staff allocated to individual schools depends on the subjective advice of inspectors and discretion on whether or not one specific school is eligible for a given educational programme (e.g. Community Teachers Programme). These decisions seem to not always involve objective criteria.

Similarly, the distribution of resources for the operating expenses of schools does not follow a transparent process with objective criteria publicly disclosed. The allocation of education materials to individual schools seems to have an historical basis weighted by the number of students and the modality of the school. It might also follow arbitrary decisions based on perceptions of school needs formed by school inspectors.

The lack of transparency extends to the fact that there is no public information available on the education resources allocated to each school. The information systems do not allow measuring ANEP expenditure per student according to individual schools. This makes it difficult to evaluate whether resources are being allocated to where they are most needed.

School-level funding provides little flexibility to respond to local needs

As explained earlier, the distribution of staff resources on the basis of the specific needs of individual schools relies on subjective judgments of the education councils (often following the advice of school inspectors) for the allocation of extra staff (such as support teachers) and on whether or not a school is eligible for a given education programme (e.g. Community Teachers Programme). The algorithms used to distribute most staff resources to individual schools do not take systematic account of indicators reflecting the socio-economic characteristics of the school and its population (e.g. level of education of parents, income level of families). This implies that school-level funding is not directly related to the socio-economic characteristics of the school's student population which reduces the ability of funding mechanisms to respond to school needs. The same conclusion applies to resources for operating expenses. These are also not distributed on the basis of the socio-economic characteristics of individual schools.

A critical situation of the inability of the funding system to account for the specific needs of schools concerns the funding of special needs students who are educated in mainstream schools. While special schools have their own dedicated funding mechanism

(which accounts for the type of disabilities attended by schools), there are no systematic provisions for giving extra resources to mainstream schools to integrate students with special needs. Potential extra resources result from ad hoc subjective assessments of need by individual education councils (often following inspectors' recommendations) but it is not guaranteed that extra resources for special needs are available in every mainstream school that receives students with special needs.

There is a multitude of educational programmes which reduces the transparency of funding to schools

The proliferation of a multitude of educational programmes, as explained in Chapter 2, to a great extent reflects the need to circumvent an institutional governance framework which does not facilitate education reform and renders difficult the implementation of education policies to address specific challenges. An example of this has been the inability of educational authorities to develop a transparent formula to fund individual schools, covering all pre-tertiary education levels and accounting for the socio-economic characteristics of schools. As a result, the response to different learning needs and the support to disadvantaged and low performing students is mostly channelled through specific support programmes which target individual schools (e.g. Community Teachers Programme, Educational Commitment Programme) and through direct support to students (e.g. "Uruguay Studies" scholarships). In Uruguay, except for some discretionary allocation of extra staff (e.g. support teachers) by the education councils (driven, to a great extent, on the subjective views of school inspectors), there is no distribution of resources to individual schools involving an objective funding formula with a needs-based group of variables. This considerably limits the ability of the education system to target education resources according to individual schools' needs.

Also, the multitude of educational programmes makes the distribution of resources to schools considerably more complex and potentially leads to some inefficiency of resource use. An excessive reliance on supplementary educational programmes may generate overlap, difficulties in co-ordinating allocations, excessive bureaucracy and lack of long term sustainability for schools (OECD, 2012a). For instance, there is some duplication between the Community Teachers Programme and the Teacher + Teacher Programme in primary education and between these two programmes and the support teachers allocated directly by the education councils. Similarly, there are a range of scholarship programmes in secondary education with similar objectives. The lack of co-ordination between education programmes raises concerns about whether needs-based resources are effectively distributed across schools.

The autonomy of individual schools to manage resources is very limited

Schools in Uruguay have little autonomy in managing resources compared to OECD countries and other countries in Latin America. According to PISA 2012, the percentage of 15-year-old students in schools whose principals reported that only principals and/or teachers have a considerable responsibility for formulating the school budget and for deciding on budget allocations within the school were 5% and 18% respectively in Uruguay against OECD averages of 24% and 45% (Argentina: 10% and 18%; Brazil: 15% and 14%; Chile: 20% and 25%; Colombia: 25% and 27%; Costa Rica: 18% and 20%; Mexico: 31% and 44%; Peru: 41% and 41%) (OECD, 2013a).

In Uruguay, schools only manage a very small budget for essential maintenance activities (“petty cash” provided by education councils) and the small amounts of money they are able to raise through parental initiatives (such as the organisation of raffles) and, in rare situations, the sale of services (mostly in schools offering technical-professional programmes). Schools do not manage a budget for operating expenses such as educational materials and equipment or the professional development of teachers. As a result, it is challenging for schools to have their specific needs addressed and their ability to implement institutional projects that fit their socio-economic context is highly limited. During its visit, the OECD review team heard several references to the unsuitability of materials centrally delivered by the education councils. Schools often receive materials they do not need while they lack material that does not reach them through the central planning of the education councils. In addition, schools cannot organise the teacher resources they receive to fit their needs. Teachers are assigned specific subjects for a given number of hours while the functions of learning support staff (e.g. teacher leaders) are strictly regulated centrally (see Chapter 5). The little autonomy of schools in managing resources and administering budgets is possibly explained by fears of corruption at the school level as well as the lack of capacity for school leaders in Uruguay to engage in resource management.

The lack of autonomy in managing school resources extends to the local and regional level. Departments do not receive central resources for education. They are limited to the use of their own resources – mostly through infrastructure investment – in case they decide to contribute to educational development. Overall, little local and school autonomy hinders effectiveness in the use of resources as local authorities and schools are unable to match resources to their specific needs, and in consideration of their conditions and context. In addition, innovation is highly constrained by the unavailability of resources at the local and school levels.

There are limitations in monitoring the use of public funds for education

A number of challenges arise in monitoring and making transparent the use of financial resources. First, the analysis of the impact of financial resources on educational achievement (or education objectives) is not common with audits mostly concentrating on compliance with existing laws and regulations. The emphasis is on the analysis of financial balances of ANEP and checking if the budget was executed as originally planned. No analysis is undertaken of the impact of financial resources on educational outcomes and of whether given education targets were achieved. Also, the impact and effectiveness of resources for equal opportunities are not sufficiently monitored.

Second, auditing procedures are not given enough resources. For example, there is a lack of audit capacity within the ANEP, as the internal audit unit only has around five staff, clearly insufficient to cover all ANEP’s activities including the implementation of educational programmes, the functioning of the inspections, the execution of infrastructure expenditure, etc. Also, according to impressions collected by the OECD review team from education stakeholders, the results of external oversight and control do not always produce concrete and visible adjustments in the governance and functioning of educational authorities. In particular, it is unclear what sanctions the Court of Auditors can apply when the ANEP fails to implement the Court’s recommendations for the execution of the budget.

Third, the absence of reporting on budgets at the school level is a concern. There is no disclosure of the budget at the school level and no reporting on how the budget was spent. As a result, it is not possible to assess whether education resources are distributed according

to schools' individual needs. In addition, there is no available information on parental donations and other revenues raised by schools. Hence, schools' own resources are not sufficiently transparent with respect to the items they fund and how they are recorded. This might raise some equity concerns given distinct school abilities to raise their own resources.

Finally, there is a general lack of cost-benefit analyses of different educational policies and programmes, meaning that educational authorities in Uruguay often make decisions with minimal attention to the efficiency or effectiveness of their likely education outcomes.

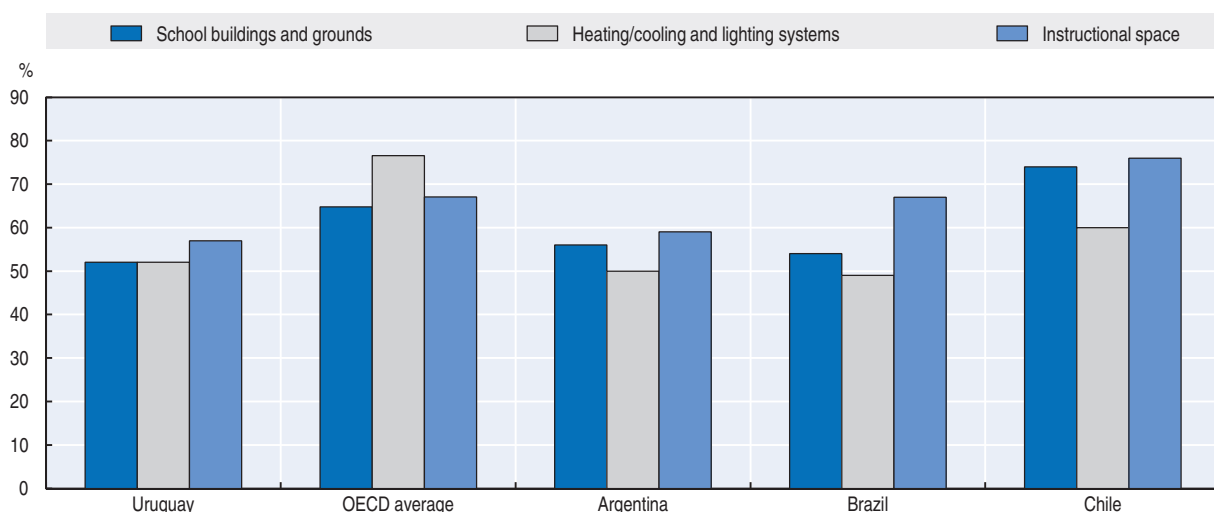
There are a range of concerns regarding infrastructure development

There are concerns about the quality of the education infrastructure

In spite of the efforts in raising capital expenditure in recent years, chronic underinvestment in maintenance and upgrading of schools has left many buildings in need of modernisation in Uruguay. In PISA 2012, school principals were asked whether the quality of their schools' physical resources hindered student learning (see Figure 3.19) (OECD, 2013a). In 2012, about half of 15-year-olds were in schools whose principals reported that shortages or inadequacy of school buildings and grounds; heating/cooling and lighting systems; or instructional space hindered student learning at the school. This reflected a more critical situation than in OECD countries and in other Latin American countries such as Argentina, Brazil and Chile (see Figure 3.19). An additional source of concern is that the PISA index of quality of physical infrastructure is significantly more favourable in private schools (in comparison to public schools), advantaged schools (especially in comparison with schools in the bottom quarter of the PISA index of economic, social and cultural status) and schools located in a large city (Montevideo) (OECD, 2013a, Table IV.3.15). However, comparing perceptions by school leaders in PISA 2003 and PISA 2012, the index of quality of physical infrastructure exhibits considerable improvement in Uruguay from 2003 to 2012 (the 4th largest improvement among countries participating in PISA in both these years) (OECD,

Figure 3.19. School principals' perceptions of adequacy of physical infrastructure, secondary education, 2012

Proportion of 15-year-old students in a school whose principal reported that student learning was not hindered at all or hindered very little by a shortage or inadequacy of the following physical infrastructure:



Source: OECD (2013), PISA 2012 Results: What Makes Schools Successful: Resources, Policies and Practices (Volume IV), <http://dx.doi.org/10.1787/9789264201156-en>

2013a, Table IV.3.40). There is also similar evidence for public primary schools provided by an index of the adequacy of infrastructure developed by ANEP's Primary Education Monitor on the basis of views expressed by school principals. While the index reveals across-the-board improvements on the quality of the infrastructure between 2003 and 2013, it also shows that the quality of the infrastructure is perceived as more problematic in more disadvantaged schools (INEEd, 2015).

International research findings suggest that physical resources matter below minimum standards. Evidence consistently suggests that the absence of essential facilities is detrimental to learning, although research shows a weak association between school-based inputs, including infrastructure, and education outcomes (Murillo and Roman, 2011; OECD, 2013a). In other words, adequate physical infrastructure and up-to-date textbooks do not guarantee good learning outcomes, but the absence of such resources is likely to have a negative effect. Murillo and Roman's study of 15 Latin American countries found that, with the exception of Cuba, basic infrastructure and services (water, electricity, sewage), didactic facilities (sport facilities, laboratories, libraries) and the number of books in libraries and computers in the school affects student performance. This finding holds even after controlling for the family's socio-economic and cultural characteristics, the socio-economic characteristics of the area and the country's level of development (Murillo and Roman, 2011). Poorly designed and maintained schools (i.e. those with inadequate acoustics, temperature, light and air quality), often found where educational achievement is low, can have a detrimental effect on teacher and student engagement and adversely affect student outcomes and can pose risks to student and staff health and safety (Higgins et al., 2005). Moreover, the condition of schools can indicate to the community the value of schooling as schools shape the appearance and atmosphere of the surrounding environment.

Mechanisms to fund infrastructure have a range of limitations

While, in theory, prioritisation of major investments in the education infrastructure is based on a criticality index (constructed on the basis of a survey of the conditions of school buildings), the OECD review team formed the impression that the actual criteria to establish priorities are unclear and non-transparent to education stakeholders. At the same time, it was clear that the highly centralised decision-making limits the ability of the education system to swiftly respond to more critical situations. The OECD review team visited a primary school (with pre-primary education classes) which lacked surrounding walls and, as a result, placed children at risk given the proximity to roads and the inability to impede the entrance of undesired visitors. In spite of the numerous requests for surrounding walls to be built, the school had been facing this situation for a couple of years already. This highlights the potential for the current system to introduce geographical inequities in addressing infrastructure emergencies. Since the administration of infrastructure is centralised in Montevideo, schools in the capital city benefit from greater and quicker responsiveness to their infrastructure needs.

Also, there seems to be little development of dormitories and transportation arrangements for students. The lack of dormitories and school transportation policies are an obstacle to improve the use of school resources as these would allow, for example, closing some schools with low enrolment while enrolling the respective students in nearby schools with greater capacity (INEEd, 2015).

Policy recommendations

Increase overall public spending on education, while addressing key efficiency concerns

Continue efforts to increase public investment in education and identify priority areas for further spending

The Uruguayan government should continue efforts to increase the amount spent on education in real terms and as a percentage of GDP as can be afforded, given general economic conditions and government fiscal policy. The government should be determined in its ambition of gradually increasing public investment in education to its target of 6% of GDP. An underinvestment in one generation of students can have long-lasting effects on the country's economic and social prospects. The gradual expansion of public spending on education needs to be accompanied by a reflection about the specific areas that should receive priority for further investment. This is a complex decision which requires comprehensive analysis in the system and wide consultation among stakeholder groups. This analysis would allow the government to develop a strategy for how to use additional funds, once they become available in the years to come. The present report provides some suggestions for this debate but does not seek to point to definite directions for further spending.

The expansion of education services is likely to absorb a considerable proportion of new public resources for education. These include the extension of learning time in primary education (as a greater proportion of schools will offer full-time schooling), the expansion of secondary education (as completion rates are improved in secondary education) and growth in early childhood and pre-primary education (as coverage rates increase). Expansion of education services will involve the construction of new school infrastructure and possibly the recruitment of additional school staff. In addition, extending coverage at the secondary level is likely to require stronger investment in tackling low achievement at the earlier stages of education. Odden (1999) describes the rationale for this emphasis as based on the argument that early and sustained intervention raises a strong cognitive platform which will support the more demanding work of secondary school. The level of resources per student in general upper secondary education might also require improvement.

Also, the expansion of early childhood and pre-primary education should be part of further investment in strategies to support disadvantaged students. Evidence from the United States (Cunha et al., 2006) and Europe (Wößmann, 2008) shows that investing as early as possible in high quality education for all, and particularly in supporting students from disadvantaged backgrounds, yields larger returns because early cognitive development makes it easier to acquire skills and knowledge later in life. The substantial long-lasting effects of early education on economic and social outcomes are particularly high for children from disadvantaged backgrounds, whose home environments may not provide them with the foundational skills necessary to prosper at later educational stages.

Another priority for the use of additional public resources in education is increasing the salaries of teachers and school leaders. As elaborated in Chapters 4 and 5, there is a need to raise the status of teaching and school leadership as professions, to attract better candidates to teaching and to ensure teacher education candidates complete their studies. A related pressing priority for spending in the teaching workforce relates to the resources needed in the move towards a workload system (e.g. 40 hours of work a week distributed across a range of tasks beyond teaching) from employment under a teaching load, which does not recognise the whole professionalism of teachers and is detrimental to their engagement in schools (see Chapter 5).

Address inefficiencies in the school system

Increasing public investment in education needs to go alongside improving the efficiency of public funds' use. As suggested in Chapter 2, there is a need to develop policies to raise school completion rates and reduce year repetition rates. This involves investing in early childhood and pre-primary education, policies to support learning difficulties at all educational levels, greater co-ordination across educational levels to facilitate student transition, more relevant offerings at the secondary level and greater mobility between general and technical-professional programmes. In addition, there is also a need to review the organisation of the school network with the objective of improving the educational experience of all children in a cost-effective manner.

Develop a strategic approach to budget planning

An important aspect of aligning funding strategies with policy objectives is the integration of education budgeting processes into strategic frameworks for education. In Uruguay, there is a need to strengthen the links between the five-year budgeting process to strategic documents and medium-term expenditure frameworks that connect spending decisions to education priorities. This requires developing medium-term and long-term strategies for the development of the education system which encompass the views and perspectives of a variety of stakeholder groups. A well thought-out and inclusive strategic vision for the education sector is necessary to design long term legal and institutional changes, to plan effectively the human and financial resources needed in different areas of the system, and to adopt a clear implementation path. An education strategy which informs budget planning needs clear objectives, established targets to be achieved, an indicators framework, and clear structures for reporting on progress and performance. The recent establishment by ANEP of annual targets for the period 2016-20 in its 2015-19 Budget Plan is a step in the right direction (ANEP, 2015).

A strategic approach to budget planning requires the consideration of the education system as a whole and not the establishment of separate budget processes per institution involved in the governance of education (e.g. ANEP, INAU, MEC, *Universidad de la República*) and per education council in the case of the ANEP budget process. A funding model that promotes equity and efficiency across the whole education system is not compatible with the separation of budget processes across levels and types of education, especially when the latter tend to have an historical basis. Hence, the practice of elaborating separate budgets for each of the education councils on an historical basis and funding the respective schools with distinct funding methodologies should be eliminated.

Introduce funding formulas to distribute resources to individual schools

In order to bring greater transparency to the distribution of public resources to schools, the introduction of a funding formula is recommended. The distribution through a formula is more likely to lead to a more efficient and equitable allocation than other methods, including discretionary and incremental funding models (see Box 3.1). A per student funding scheme implies that resources are calculated per each student and that a specific formulation is drawn, often in the form of a mathematical equation. A well designed funding formula can, under certain conditions, be the most efficient, equitable, stable and transparent method of funding schools (Levačić, 2008). Formula funding can be designed to combine both horizontal equity – schools of the same type (for example, primary schools) are funded at the same level – and vertical equity – schools of different types (for example,

Box 3.1. Approaches to school funding

There are three main methods to determine the annual allocation of resources that schools receive:

- Administrative discretion, which is based on an individual assessment of each school. Although it can serve schools' needs more accurately, it requires extensive knowledge of each school and measures to prevent misuse of resources. While it might involve the use of indicators, it differs from formula funding because the final allocation might not necessarily correspond to the calculations.
- Incremental costs is another type of school funding scheme, which takes into consideration the historical expenditure to calculate the allocation for the following year with minor modifications to take into account specific changes (e.g. student numbers, school facilities, input prices). Administrative discretion and incremental costs are often combined, and usually these are used in centralised systems.
- Formula funding relies on a mathematical formula which contains a number of variables, each of which has a coefficient attached to it to determine school budgets (Levačić, 2008). Formulas typically contain four main groups of variables: i) basic: student number and year level-based, ii) needs-based, iii) curriculum or educational programme-based, iv) school characteristics-based. It is common to combine a per student formula funding for some expenditures and other approaches for others (e.g. incremental costs, administrative decisions); for example, capital costs are rarely included in a per student formula.

Source: OECD (2012), *Equity and Quality in Education: Supporting Disadvantaged Students and Schools*, <http://dx.doi.org/10.1787/9789264130852-en>.

general programmes and technical-professional programmes) are financed according to their differing needs. A number of objectives can be used to evaluate a funding formula, in particular efficiency, equity, integrity, administrative cost, accountability and transparency, and sensitivity to local conditions. Thus, there is no single best practice funding formula – the balance struck between the various objectives should reflect the government's policy preferences (Levačić and Ross, 1999).

Formula funding offers more scope and more tools for achieving equity and efficiency, but these are by no means guaranteed. Indeed, inadequate formulas or wrongly assessed coefficients may exacerbate inefficiencies, as well as inequities. The level of equity and efficiency achieved depends, among others, on the extent to which formula funding meets the following conditions:

- Coefficients should adequately reflect different per student costs of providing education. This is not an easy task when class size varies greatly due to the existence of rural or remote schools. Difficulties also emerge in the consideration of students' and schools' needs in the formula (e.g. curriculum requirements, school equipment). A balance needs to be struck between a simple formula, which might fail to capture school needs with full accuracy, and a sophisticated formula, which might be difficult to understand.
- Budgetary discipline entails not compensating overspending of schools unless justified by exceptional circumstances (i.e. emergency conditions, unexpected enrolment growth, small schools in remote locations).
- Availability of detailed and reliable data on the indicators used by the formula.

In Uruguay, at least two separate funding formulas could be developed, one for determining staff resources for each school (teachers and support staff) and another for determining the operational budget for each school (which could possibly include the current provisions for “petty cash”). In addition to the transparency and predictability introduced, funding formulas remove the current subjective judgment in terms of the extra staff that is allocated to each school. The same formulas can also be used across educational levels and types as they would include specific coefficients which account for cost differences, for instance, between primary and secondary education and between general and technical professional programmes (see Box 3.2 for the example of Chile). This would remove the need to have distribution mechanisms specific to each education council. These formulas should initially be introduced on a pilot basis and only generalised once the pilot programme delivers its conclusions. Once implemented, the formulas should be publicly disclosed. In addition, the funding formulas should go through periodical review to assess the need for adjustments.

Box 3.2. The funding of schools in Chile

In Chile, the main mechanism of school public financing is school grants to school maintainers (municipalities and private bodies). Originally, the system did not differentiate on the basis of population characteristics (Mizala, 2007). Over time, adjustments were made to the system acknowledging that the costs of providing quality education varies depending on the characteristics and needs of students and schools.

The basic grant received by a school maintainer results from multiplying the Unit of School Grant (*Unidad de Subvención Educativa* or USE) by the monthly average student attendance and an adjustment factor by level and type of education. The value of the USE is adjusted every year in December (or when the public sector's wages are adjusted). The monthly average attendance is the sum of the daily attendance, as recorded by the school, divided by the number of working days in the month. An average of the previous three months is used as the basis to determine the grant. Finally, the adjustment factor considers the level (pre-primary, primary, secondary scientific/humanistic, secondary technical/professional) and the type (special and adults) of education, as well as whether the school is full day (*Jornada Completa*).

In addition to the base grants, the financing mechanism provides other allowances and grants (e.g. for rural location, for special education, for maintenance support). Among the various grants the one known as Preferential Education Grant (*Subvención de Educación Preferencial* or SEP) constitutes one of the major corrections to the original system. It recognises that, as the socio-economic vulnerability of students increases, so does the cost of education. In order to receive the SEP, the maintainer must sign an Agreement, known as *Convenio de Igualdad de Oportunidades y Excelencia Educativa*, committing to use the additional resources to the accomplishment of an Educational Improvement Plan (*Plan de Mejoramiento Educativo* or PME). The PME must contain technical and pedagogical support to improve the academic performance of low-achieving students, with emphasis on priority students. To qualify to receive the SEP all institutions should make sure that: i) at least 15% of all students are socio-economically vulnerable (unless there are not enough applications to meet that percentage); ii) classroom size respects regulations on minimum and maximum number of students per class; and iii) schools have internal rules to regulate the relations between the school, students, parents/legal guardians.

Box 3.2. The funding of schools in Chile (cont.)

Weinstein et al. (2010) positively assess the originality of the regime in combining the positive discrimination of the SEP in distributing resources with practices aimed directly at improving the quality of education. Bellei et al. (2010) point out that the SEP is both a compensatory programme of great magnitude and a policy reform based on standards. A study by the Ministry of Education (Ministry of Education of Chile, 2012) suggests a positive effect of the SEP on the academic performance of students.

Source: Santiago, P. et al. (forthcoming), *OECD Reviews of School Resources: Chile*, OECD Publishing, Paris.

Ensure funding formulas take account of the socio-economic context of schools

The formulas to be introduced should take into account the socio-economic context of schools. This would improve the ability of distribution mechanisms to respond to local circumstances. At present, some funding for socially-disadvantaged students in schools is provided through targeted educational programmes (e.g. Community Teachers Programme). It would simplify the funding system and make the formula more comprehensive to include within it most of the funds intended for vertical equity. As a complementary funding strategy, targeted educational programmes would still be developed but possibly in a more consolidated way, as suggested below.

A formula which based on the socio-economic context of schools requires information on the socio-economic background of students. Indicators that could be used in the formula could relate to parental educational attainment, family's income level or place of residence. However, in order to provide schools with additional funding to enhance the education of children whose learning needs stem from social disadvantage, there is no need to identify individuals. All that is needed are indicators of social disadvantage of the area that correlate with the incidence of students needing additional learning support in individual schools. Needs-based formula factors also need to include information about the enrolment of special needs students in specific schools so the adequate extra resources are provided.

Review the delivery and impact of compensatory educational programmes in view of consolidating them

Funding strategies play an important role in achieving equity objectives within school systems. A crucial aspect of policy is to decide on the best mechanisms to channel the extra resources to student groups who have additional needs. This can typically be achieved through a systematic weighted allocation to particular student groups within schools (using a funding formula, as suggested above) or through funding directly targeted at specific groups (e.g. scholarships for disadvantaged students). As analysed earlier, in Uruguay, targeted funding through compensatory programmes has been the privileged mechanism to provide extra resources to disadvantaged student groups and schools. However, there is a large number of educational programmes whose implementation is not sufficiently co-ordinated and which are likely to involve a great deal of duplication in terms of objectives and allocated resources. The suggested move of some of these equity-related resources to be distributed through needs-based funding formulas (see above) is an opportunity to review the delivery and impact of compensatory educational programmes in view of consolidating them.

Policy needs to ensure that funds for equity actually make a difference at the individual student level. This involves not spreading equity funding too thinly across students,

accounting for the “concentration” of disadvantage in given schools as well as monitoring how schools actually use the extra resources for equity they receive (e.g. additional learning support staff for students with learning difficulties). Hence, it is recommended that the government evaluates the impact of each existing educational programme, assesses potential synergies of merging some of them, and investigates ways to enhance their co-ordination. For instance, there is certainly room for efficiencies between programmes such as full-time schools, *Aprender* schools, the Community Teachers Programme and the Teacher + Teacher Programme. Rationalising the existing programmes, including eliminating some of them, should allow some of the equity-related resources to be distributed through a needs-based funding formula. The objective is that compensatory educational programmes become complementary to equity-related funds distributed through a funding formula.

Consider giving schools greater autonomy over the management of resources

Uruguay could explore ways to gradually provide more autonomy to schools over the management of resources in order to enable them to foster improvements in education. Certain decisions are best left to school principals, who best know their schools’ needs, to ensure a more optimal allocation of resources. Schools could be allowed to manage a budget for operational expenses equivalent to the resources which result from the discretionary decisions by education councils as they distribute materials and equipment to schools and directly pay their utilities’ bills. This would have the advantage of granting the school the opportunity to acquire the materials and equipment which best respond to its needs and provide the school with incentives to save resources (e.g. savings on utility expenses). A budget for operational expenses at the school level, in addition to teaching materials and equipment, could also include funds for teacher professional development, regular maintenance and school development projects. The provision of autonomy over a budget for operational expenses could be made conditional on the demonstration, by the school, of its capacity to manage resources in alignment with a school development plan. This could involve a system of accreditation to certify schools as capable of managing a budget for operational expenses as part of school evaluation processes by inspections (see Chapter 4). The granting of autonomy should then be associated with relevant and focused monitoring, especially monitoring of outcomes (see also Chapter 2).

In order to manage a budget for operational expenses adequately, schools should plan its use in supporting measures to sustain and improve the school. They should be required to develop a school development plan which links the school’s education priorities with its spending intentions in collaboration with the school community. School development plans would be reviewed by inspection processes. This should come alongside the requirement for schools to prepare and submit a school financial report, which reports sources of revenue and use of funds for the calendar year. Also, giving more resource management autonomy to schools should entail developing the budget planning and financial management skills of school leaders. This could involve integrating financial resource management training into the development of leadership skills and developing leadership competencies for goal-oriented budgeting. Also, central educational authorities could develop central guidelines to assist with school finance and management procedures.

Strengthen the monitoring of the use of public resources in school education

There is ample room to improve the monitoring of the use of public resources in school education in Uruguay. First, there is a need to evaluate the use of public resources in

education *vis-à-vis* their impact on educational outcomes. The financial monitoring system remains focused on financial compliance while it needs to evolve into an analysis of education system performance, including in audit exercises (performance audits). This could benefit from the more strategic budget planning suggested above, whereby education targets are established and the monitoring of resource use assesses whether or not the targets were achieved. Clarity of strategic objectives coupled with clear frameworks for reporting in progress and performance would considerably strengthen the monitoring of resource use in education. As a result, the annual reporting of ANEP to parliament about the execution of the education budget should involve evidence of the performance of the education system *vis-à-vis* established policy objectives and education targets.

More generally, as suggested in Chapter 2, the monitoring system should more broadly consist of a periodical assessment of the state of education in Uruguay, be based on a framework of education indicators, include the in-depth analysis of the data collected, and involve the evaluation of specific education policies and educational programmes. A major step in this direction, as analysed in Chapter 2, was the establishment of the National Institute for Educational Evaluation (INEEd) and its biennial publication of the report on the state of education in Uruguay (INEEd, 2014). However, more systematic evaluation of policies and programmes needs to take place.

Furthermore, Uruguay needs to improve dissemination of information about activities at the school level, including information on school budgets. While dissemination of reports may be viewed as another burden in the reporting process, the education councils should consider using a single nationally-developed format to ensure that parents and voters know how schools operate in their community and how school resources are used. In particular, it would be important to publicly disclose the public resources each school receives alongside the uses of those resources and the educational outcomes at the school. Similarly, school principals should disseminate a school's activity report, in accessible language, by posting it on the web or on school bulletin boards, thus increasing transparency. Also, schools' activity reports should show clearly the amount of their own revenues, including parental contributions collected and on what they have been spent, whether or not these contributions are part of the school budget or held in separate accounts or as cash in hand.

Sustain efforts to improve educational infrastructure and improve procedures for its management

The scope for improvement of school infrastructure remains large, despite the considerable efforts undertaken in recent years. To address these infrastructure challenges, Uruguay will need to sustain efforts to improve educational infrastructure, benefitting from the continued increase of the education budget. It should also be more systematic in encouraging departments to contribute to the development of education infrastructure in their territories, possibly through cost-sharing arrangements. A more sustained effort is also needed to ensure that maintenance of school facilities and equipment is fully funded.

In addition, mechanisms to fund new infrastructure or major renovations need to become more transparent. This would involve publicly disclosing the criteria used to prioritise the requests for infrastructure interventions. More rapid intervention mechanisms for emergency situations are also needed. These would be made more geographically-equitable if departmental education infrastructure committees could manage a budget for addressing infrastructure emergencies in their territory and make the decisions on the needed interventions. Rapid and well-informed interventions need more local co-ordination

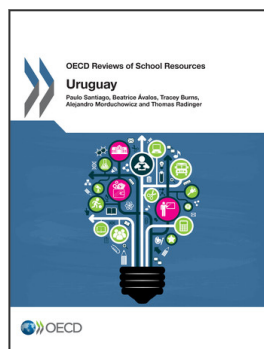
and better knowledge of needs, placing departments in a good position to play a key role in the management of education infrastructure. In addition, as suggested above, schools could benefit from funds for school maintenance as part of greater autonomy in managing a budget for operating expenses.

Finally, greater consideration should be given to the development of dormitories and transportation arrangements for students. This should be part of the planning of the school network and a review about ways to improve the educational experience of all children while ensuring the costs of the school network are not excessive.

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