

## *What do societies invest in education? Public versus private spending*

*Many countries could not have expanded their university systems without the support of the private sector, namely students and their families. But can governments rely on households to provide for the right to basic education? A new report by the UNESCO Institute for Statistics (UIS) provides key data to explore these issues.*

*The UIS Global Education Digest 2007\* presents the latest education statistics from primary to tertiary levels of schooling in more than 200 countries. This edition focuses on the public and private sources of education funding, while providing a series of indicators to compare spending patterns across countries and levels of education.*

To evaluate what a society invests in education, it is essential to consider public and private sources of funding. In many developing countries, student households and communities often assume diverse costs, such as school fees, textbook provision, contributions to teacher-related costs and parent-student associations.

To compare spending levels internationally, **Figure 1** presents public and private expenditure on education as a percentage of gross domestic product (GDP) for 47 countries with available data. It also highlights public subsidies which are intended to help households offset the costs of education.<sup>1</sup>

The figure reveals considerable variation, especially in terms of total spending (public and private funds combined). In particular:

- Cuba and Guyana invest more in education proportionately (9.9% and 8.9% of GDP respectively) than the top spenders among more-developed countries, such as Denmark, New Zealand, the Republic of Korea, Sweden and the United States, which range from 6.8% to 8.0% of GDP.
- In contrast, Indonesia and Uruguay reported the lowest levels of total education expenditure at 1.5% and 2.9% respectively.
- Private spending accounts for more than 10% of total education expenditure in more than one-half of the countries. The share rises to one-third or more in Chile, Colombia, Indonesia, the Republic of Korea and Lao PDR.
- In Chile, government spending is relatively low – 3.3% of GDP – which is comparable to Japan and Turkey. However, the extremely high level of private funding (48% of the total) pushes total education spending to 6.4%, which is comparable to the levels reported by Mexico and Sweden.

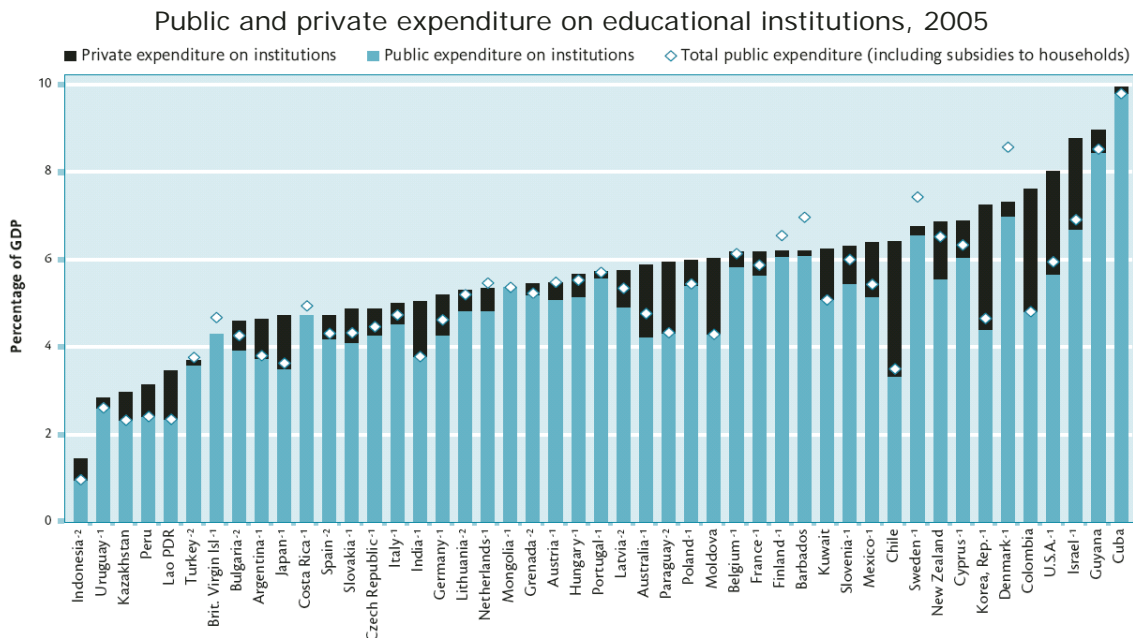
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\* The Global Education Digest can be downloaded in English and French, free of charge, at [www.uis.unesco.org/GED2007](http://www.uis.unesco.org/GED2007). It will be available soon in Arabic, Russian and Spanish. To stay informed of the latest UIS publications and data releases, sign up for our email alert service at [www.uis.unesco.org](http://www.uis.unesco.org).

<sup>1</sup> This is a difficult area to measure accurately, so the figures may underestimate the real value of these support mechanisms.

- Public subsidies to offset the education costs of households are most apparent in the Netherlands (0.6% of GDP), Sweden (0.9%), New Zealand (1.0%) and Denmark (1.6%).

**Figure 1. Who pays for education?**



Notes: Subsidies are calculated as the difference between public expenditure on institutions and total public expenditure.

<sup>-1</sup> Data refer to 2004; <sup>-2</sup> Data refer to 2003.

Source: UNESCO Institute for Statistics database.

### Equity issues weigh in the balance between public and private financing

Private financing of education often provokes heated debate. Yet, it is important to distinguish between levels of education. Some argue that students should assume greater costs for university education, which typically benefits individuals (in terms of wage potential). However, serious equity issues arise at the primary and secondary levels. Governments have clearly recognized their responsibility to provide all children with a quality primary education free of charge.

The case of India illustrates these policy trade-offs. Households pay for more than one-quarter (28%) of the costs to send their children to primary and secondary school. These fees pose a very real barrier for the children of poor families. Yet at the same time, households assume just 14% of the costs for university education, which typically benefits more well-to-do students.

**Figure 2** compares the shares of private and public financing for primary to secondary education and for the university or tertiary level.

For primary to secondary education:

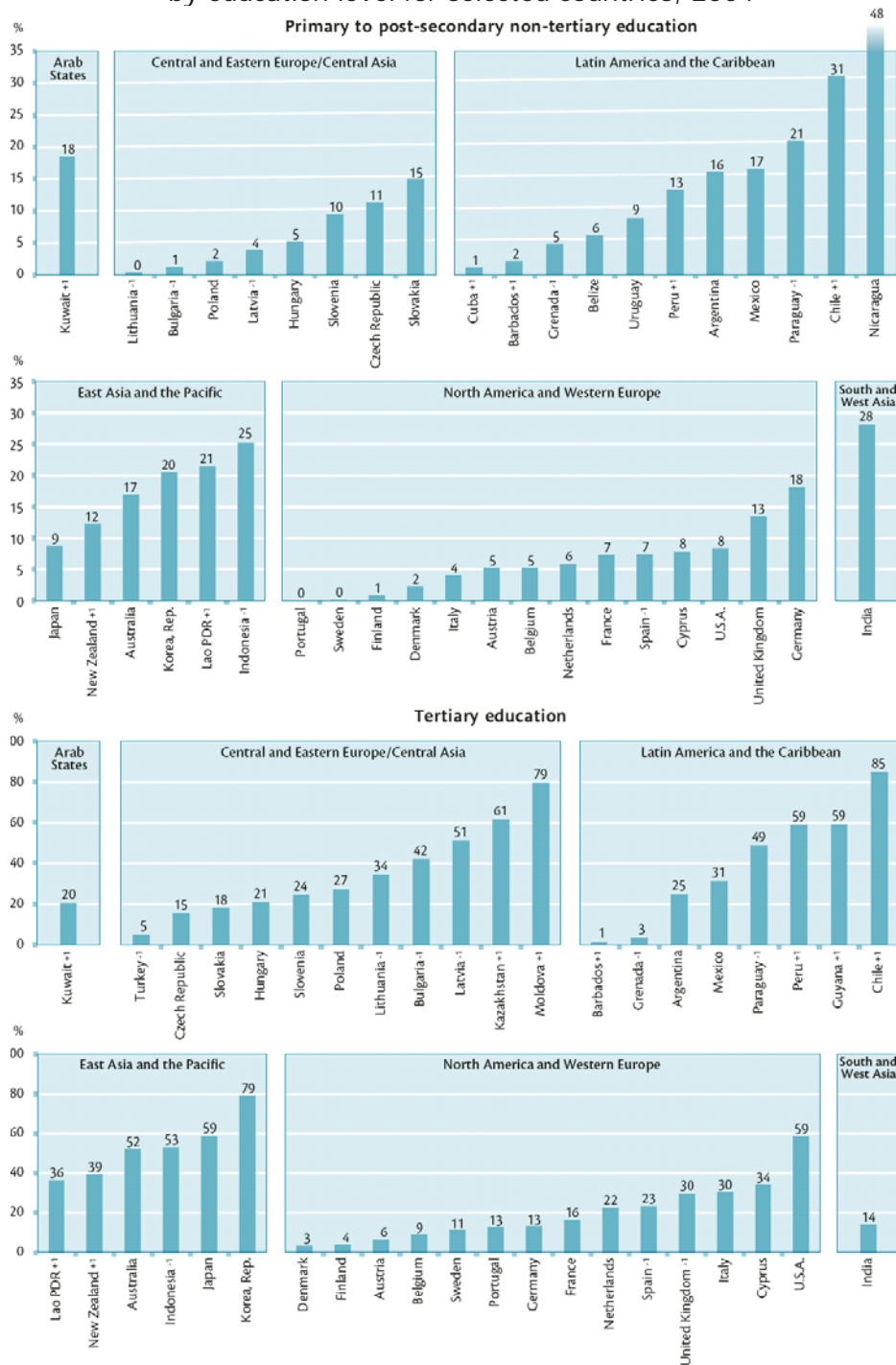
- Household spending is highest in Nicaragua, where families assume almost one-half of the costs of primary and secondary education. High rates of private spending were also reported by Chile (31%), Indonesia (25%) and Lao PDR (21%).
- In contrast, the share of private expenditure is marginal (below 1%) in Lithuania, Portugal and Sweden.

Overall, the share of private funding rises sharply at the tertiary level:

- In 11 out of 41 countries reporting data, 50% or more of tertiary funding is private.
- In Chile, 85% of tertiary funding is private, and the share exceeds 75% in the Republic of Moldova and the Republic of Korea.

**Figure 2. Where is private spending most prevalent?**

Private expenditure as a percentage of total expenditure on educational institutions by education level for selected countries, 2004



Notes: <sup>+1</sup> Data refer to 2005; <sup>-1</sup> Data refer to 2003.

Source: UNESCO Institute for Statistics database.

## Enrolment patterns in the public and private sectors

UNESCO distinguishes between public and private education according to whether a public agency or a private entity has ultimate control over the institution, regardless of the source of its funding. Ultimate control is decided with reference to who has the power to determine the general policies and activities of the institution and to appoint the officers who manage it.

Private schools are further classified into government-dependent and independent institutions. In the case of government-dependent private schools, governments provide most of the budget for schools that are managed by communities, individuals and private entities (e.g. religious organizations).

**Figure 3** compares enrolment patterns in public and private education institutions across 28 countries selected to illustrate the relative importance of the private sector.

At the primary level:

- More than 10% of students are enrolled in private schools in almost one-half of these diverse countries and territories.
- Macao (China) had the largest proportion of private enrolment at 96%.
- In Zimbabwe, more than 8 out of 10 children are enrolled in government-dependent schools that are managed at the community level in a government effort to expand access to primary education, especially in under-served rural areas.

At the secondary level, private provision is generally more widespread.

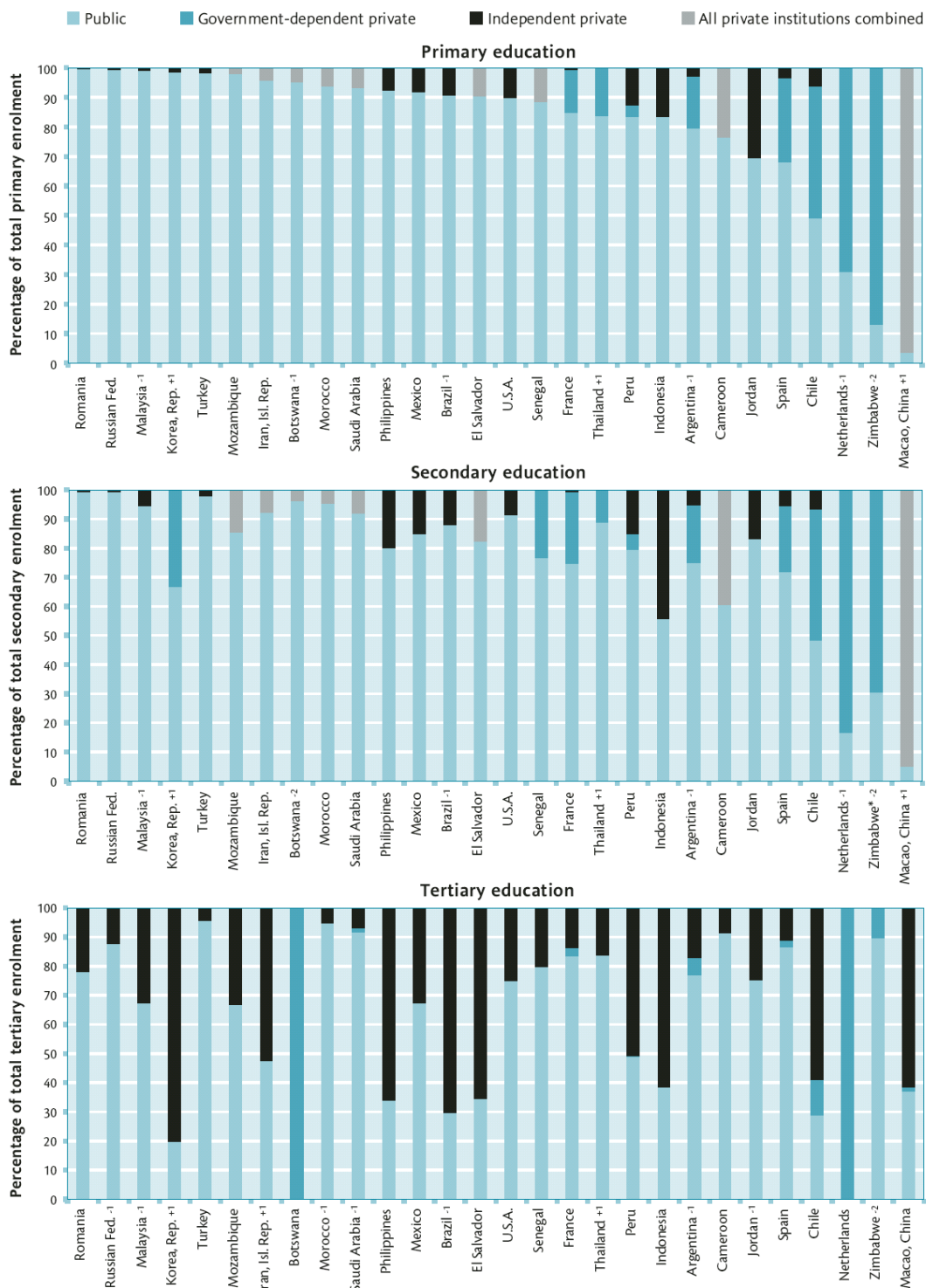
- At least one in four secondary students is enrolled in private schools in 7 of the 28 countries.
- There is considerable government support for private schools in Chile, the Netherlands and the Republic of Korea.
- Private secondary education is basically non-existent in countries like Romania and the Russian Federation.
- In Indonesia, more than one-quarter of lower secondary students and more than one-half of upper secondary students are enrolled in private religious (Koranic) schools.
- In the Philippines, more than 4 in 10 private secondary schools are operated by religious orders of the Catholic Church or by the Association of Christian Schools and Colleges.

Tertiary education presents a very different situation, with private enrolment higher and government support lower than for other levels.

- In 16 out of the 28 countries with available data, at least one out of four students attends a private institution.
- The countries with the highest shares of private tertiary enrolment are the Netherlands (100%), Botswana (100%), Republic of Korea (80%), Chile (71%) and Brazil (70%).
- Private tertiary provision is government-funded in only four countries: Botswana, the Netherlands, Senegal and Zimbabwe.
- In 24 of these 28 countries, private tertiary institutions are mainly independent. They operate with less than one-half of their core funding provided by the state. This means that access to tertiary education programmes can be highly stratified by those who can afford the costs of tuition and related living expenses.

**Figure 3. Who are the main providers of education by level?**

The distribution of enrolment by type of provider and level of education



Notes: Statistical Tables 3, 5 and 8 provide data on the percentage of enrolment in private schools for over 140 additional countries. The classification by independent and government-dependent primary and secondary schools is only available for countries completing the UNESCO/OECD/Eurostat (UOE) questionnaire or participating in the UIS/OECD World Education Indicators programme (WEI).  
<sup>+1</sup> Data refer to 2006; <sup>-1</sup> Data refer to 2004; <sup>-2</sup> Data refer to 2003.

Source: UNESCO Institute for Statistics database.