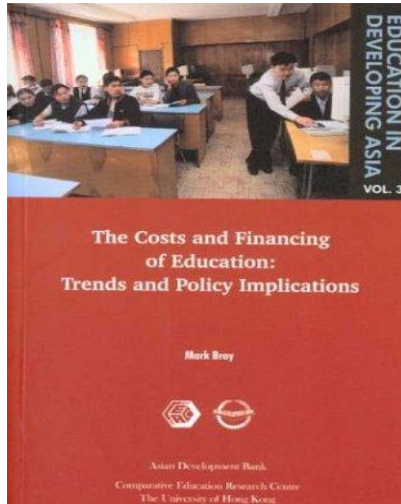


Book Reviewed



The Costs and Financing of Education: Trends and Policy Implications

Education in Asia (Volume 3)

Reviewed by M. Niaz Asadullah

Mark Bray (2002)

Hong Kong University Press.

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The late 1980s and early 1990s saw a large number of countries in developing Asia embracing a significant number of market-based reforms. Countries in the former Soviet bloc embraced market economies, while others opened up various sectors (including social sectors) of their economy to private participation in post-structural adjustment years. Private schools were encouraged to grow with or without government support (in the form of subsidy). In some cases, government remained relatively passive, leaving educational provisions to the local communities. These changes had important implications for the evolution of costs and finances of the education sector in developing Asia. Mark Bray's book is thus well-timed given the recent changes in the education sector experienced by developing countries in Asia, particularly in the onset of structural-adjustment programs and demographic changes.

The book starts with a review of the recent trends in educational expenditure, both public and private. It then spells out the economic justification for such investment in education, drawing on the literature on returns to educational investment. While discussion is based primarily around the work of George Psacharopoulos, the critique of this literature is also provided by summarizing the work of Paul Bannel.

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The discussion then moves on to unit costs of educational provision and their determinants such as teacher salary, class size, school shift. This section explains why costs vary across levels of education. Inefficiency due to the incidence of drop-out and grade repetition, which raises unit cost, is also discussed. It is followed by a section on the impact of technological change on educational production and cost structure.

Given the high unit costs of schooling in some Asian countries and the fiscal constraint faced by their governments to finance these costs, cost sharing has been encouraged in many instances. Bray discusses the nature of such cost sharing, carefully distinguishing between its various forms, while, at the same time, various alternatives to the option of cost sharing are pointed out. Some cost-sharing measures (such as student loans, user fees and so on) have also been introduced in some countries to ease the pressure on public financing of university education. However, Bray rightly cautions against such conventional cost-recovery measures as loan schemes in the tertiary sector on grounds of efficiency.

Having discussed the determinants of unit costs in various levels of education and strategies to manage these costs, the book discusses yet another means to share the public burden of educational finance: that is, privatization of the education sector. Privatization not only relaxes the fiscal constraint by attracting additional funds for educational finance, it is also seen by many as a source for greater

efficiency in a country's education system. This section does a particularly good job by concisely summarizing the debate over the relative effectiveness of private and public schools in developing countries. Various models of privatization are revisited. Bray ends the discussion on private sector participation by drawing attention to the development of a surrogate education sector in Asia, in the form of private tutoring. At present, very little research exists on the exact nature of demand for and supply of private tutoring and the associated efficiency and equity implications for the overall education sectors. The author is correct in being wary about the desirability of this surrogate education market.

Apart from various domestic sources of funds for educational finance, many developing countries' governments heavily rely on aids from international donors. A section entitled 'International Aid for Education' discusses the trends in the inflow of external funds in the '80s and '90s. The concluding chapter is preceded by a brief section on why education policy should be sensitive to individual countries' heterogeneities. Factors such as level of development, size of the country and so on, Bray argues, should be taken into account in designing meaningful education policies.

Overall, this publication is a commendable piece of work. The themes covered are topical and policy-relevant.

Bray does a good job by identifying the trends in cost structure of various levels in the education sector. Drawing on recent cross-country studies on costs and modes of financing,

He manages to capture and describe the most important recent trends. The booklet highlights a great many useful statistical tables, assembled from existing studies. Readers will find these statistical compilations in a single publication an extremely valuable source for quick reference purposes.

Equally, useful references are also made at various points to individual countries' successes in dealing with specific education challenges. While the coverage of the research literature has been elaborate and careful, the author would have done better by drawing more from the economics (of education) literature on these issues. For example, he fails to make reference to a major earlier study on costs and financing of education in Asia: Tan and Mingat(1992). These omissions aside, the booklet would be of substantive use to education researchers, governmental policy makers and international development agencies with an interest in the current education debates in developing Asia.

Reference

- Tan, J. P., & Mingat, A (1992). *Education in Asia: A Comparative Study of Cost and Financing*. Washington D.C.: The World Bank.