

**STATEMENT BY MR. JOSÉ LUIS MACHINEA, EXECUTIVE SECRETARY OF
ECLAC, AT THE COMMENCEMENT OF THE SEMINAR ON EDUCATION
FINANCING AND MANAGEMENT IN LATIN AMERICA AND THE
CARIBBEAN, HELD WITHIN THE FRAMEWORK OF THE THIRTIETH
SESSION OF ECLAC**

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I would like to begin by extending a most cordial welcome to the senior officials working in the areas of education and finance who are here with us today in this seminar on the financing and management of education in Latin America and the Caribbean. I am confident that the debates to be held during this seminar will provide inputs of the utmost importance for the fulfilment of the commitments made at the World Forum on Education, which were subsequently ratified in the Millennium Development Goals, and at the Regional Project on Education for Latin America and the Caribbean.

This seminar is of particular significance. It has been organized jointly by two United Nations bodies: ECLAC and UNESCO. Both are concerned about social development in the region and especially about the education of the people of Latin America and the Caribbean. Twelve years ago, at the twenty-fourth session of ECLAC, in Santiago, Chile, these two organizations jointly presented a document entitled “Education and knowledge: basic pillars of changing production patterns with social equity”. This study focused on the revitalized role of education in a development process based on changing production patterns with social equity, and it served as an inspiration for policies and programmes that were forged in the heat of the educational reforms being carried forward in many countries of the region. Cognizant of this precedent, today we are once again seeking to foster synergies between the two institutions in order to submit a new proposal to the Governments for their consideration.

Experts from both organizations have worked to prepare a document for this meeting entitled “Financing and management of education in Latin America and the Caribbean”. I am confident that the analyses and the agenda set forth in this study will serve to enrich the discussion that will take place here this morning.

For a number of years now, ECLAC has been saying that education is the key to equitable economic growth, especially in an era such as ours, in which information and knowledge are the cornerstone of progress. ECLAC estimates indicate that, as a regional average, people need to have a minimum of 10 or 11 years of formal education in order to have a strong chance of avoiding or lifting themselves out of poverty.

Education also plays a pivotal role in reversing the intergenerational reproduction of poverty. As has been amply demonstrated, parents’ –and especially mothers’– educational levels have significant implications in terms of their children’s scholastic achievement. Increasing parents’ educational levels can therefore have a positive impact on the educational performance of the boys and girls of future generations and can thus

help to break down, or at least diminish, the patterns of the intergenerational reproduction of poverty in our region.

The objectives of education go beyond the concept of “human capital”. Education is decisive in the development of democracy, of a sound form of citizenship and, in broader terms, of the personal growth of each individual. Democracies are no longer founded solely upon a certain type of economy or network of political institutions but also upon a broader use of knowledge, information and communication, and the ability to use these elements is gained through a quality education.

In our region, democratic systems coexist with poverty and inequality, which undermine our democracies. The paramount challenge is to diminish these regrettable characteristics of our development process with a view to ultimately eliminating them altogether. We must build a society whose members can not only consolidate their public rights, but can also aspire to full civil and social citizenship, and education is a key element in achieving this.

In sum, without education, it is very unlikely that we can break the vicious cycle of poverty and inequality and generate genuine processes of social cohesion and citizenship.

The document that we have prepared in conjunction with UNESCO for this event assesses the progress made, and the areas in which we are lagging behind, in terms of educational coverage by levels. It also looks at the management of the educational system based on the reforms implemented during the past decade and investment in education.

I would not like to let this opportunity go by without also pointing out that, at the start of this decade, more women than men were enrolled in secondary schools and institutions of higher learning. This obviously does not resolve the many problems of inequality that still exist, but it is an important step in that direction.

An analysis of areas of achievement and areas of underperformance indicates that the path which the region must take should combine opportunities for learning-by-doing in the area of management with a greater effort to garner resources for use in this sector. In short, the task at hand is to give renewed vigour to the countries’ efforts to use education to leverage development.

While it is true that average regional public expenditure on education rose by around 1.1% of GDP during the 1990s, which is quite a large increase in comparison to the rise in spending in the health sector, this still falls short of what is needed to achieve greater equality of opportunity and meet the new demands for information and knowledge associated with productive development in open economies. In the area of management, the reforms have helped bring about a more rational form of expenditure so that the resources will get to where they are supposed to go, namely the schools.

Nonetheless, standardized tests indicate that actual scholastic achievement still leaves much to be desired.

The principal challenges before us are universal access to education and continuity in educational cycles, quality, equity and efficiency. These four pillars should be consolidated in the coming years so that we can achieve a substantial increase in the effectiveness and social impact of education.

In order to attain the educational targets established by the Governments of Latin America and the Caribbean by providing universal access to early and primary education, increasing the coverage of secondary education to 75% and eradicating adult illiteracy, both an additional financial effort and a significant improvement in the management of education will be required. It is not simply a matter of having more resources.

What can we do? As you will have the opportunity to see this morning, there are many different options, and they are not mutually exclusive. On the one hand, it is important to sustain the upward trend in public spending on education over the medium term and to marshal fresh resources, both from private domestic sources and at the international level, to supplement public domestic efforts. On the other, it is also essential to use available resources more efficiently. This is an urgent task in view of how resources are being wasted in many countries with high school repetition and drop-out rates.

Since the tax burden in the region is comparatively small, the tax systems of many countries of Latin America and the Caribbean have some margin for the mobilization of additional funds that could be used to help meet educational goals. For example, there are countries in our region that have tax collection rates of under 15%. This leaves little leeway for establishing a solid social policy. Under these circumstances, an informed, responsible debate is called for in which the parties bear in mind the implications of changes in the tax burden. Thus, a fiscal covenant is needed, a covenant that is founded upon the basic elements of consensus that exist in this field, so that we may move forward in building a more equitable society.

Public-sector efforts to finance education must be supplemented by contributions from other sources, such as the private expenditure of households and businesses, as well as external resources and international cooperation.

The primary sources of private domestic expenditure are households, which provide significant amounts of resources to help finance the educations of their school-age members. These contributions range from the payment of enrolment fees and the purchase of school supplies to direct community participation in the construction and upgrading of schools and educational facilities. As we all know, however, the contributions that families can make to finance their children's educations depend on their income levels. Consequently, placing a greater burden on the finances of low-income households is a regressive factor that penalizes underprivileged sectors of the population and exacerbates existing problems of inequality. In order to sustain the

upward trend in household contributions to education seen during the past decade, the countries will have to augment their economic growth and attain greater social equity. In the long run, this is what will enable more families to contribute more resources to help finance their children's educations.

Another very important domestic source, which has thus far been under-used in our region, is the business community. The participation of this sector is a decisive factor when it comes to raising funds, carrying out improvement projects, implementing curricular changes and providing vocational, technical and teaching support. By the same token, one quite fruitful emerging area of activity has to do with corporate social responsibility. This concept encompasses a range of different groups at both the national and international levels –shareholders, investors, workers and trade unions, consumers, non-governmental organizations and global civil society actors– that can and should be called upon.

Insofar as external sources are concerned, there has been talk of the possibility of proposing ways of conducting debt-for-education swaps. This option, although certainly possible, suffers from limitations that require very careful analysis. For example, redistributive and solidarity-based guidelines will be needed that give preference to countries requiring more resources relative to GDP if we are to reach our proposed targets on time. Great care must be exercised in designing a suitable institutional structure for handling these resources, which, in order to attract substantial contributions, should be channelled into clearly defined special-purpose funds. In addition, tax incentives should be provided in developed countries for contributions in the form of debt bonds.

International cooperation, which represents a very small fraction of total expenditure on education (2%-3%) and is virtually the only source of funding for the development of innovations for improving education, has fallen short of expectations. This may discourage cooperating institutions from continuing to work in the field of education in our countries. We have to re-think the traditional structures of cooperation while bearing in mind that any action that is taken must be aligned with conditions in the recipient country and must respect its priorities and that cooperation resources should serve as a supplement to national efforts.

As I have mentioned, we also have to improve the management of education in our countries. We must work to reorganize the educational sector in order to make it more flexible, open and capable of successfully meeting the new challenges of our times. To that end, we will need to employ objective criteria of quality, equity and performance for the timely allocation and efficient use of resources; optimize the time devoted to the educational process; have our ministries of education formulate programmes to encourage, reward and disseminate innovation in education through the decentralization of this sector; and, last but not least, promote the production and analysis of up-to-date data on the status of the education sector at a sufficiently disaggregated level to serve as a basis for policy decision-making. We are unlikely to succeed in improving our management of a situation we do not know enough about.

I am confident that the debates that take place during this seminar will make a contribution of vital importance to the advancement of education in our region and, above all, to the creation of closer ties between the authorities responsible for education and for finances in this field. Nothing could be more fitting than for ECLAC and UNESCO to be submitting their new proposal to the countries for their consideration in a forum where governmental authorities from these sectors have gathered together within the framework of the thirtieth session of ECLAC, here in Puerto Rico. Since the financing and management of education is an issue which requires us to forge a link between the rationale of education and the rationale of finance and economics, this is an extremely auspicious opportunity for opening a dialogue among the authorities of these different disciplines.

If our work here today leads to agreements and initiatives for deepening the debate and furthering policies and commitments on the management and financing of educational systems in the region, then we will have taken a crucial step along the path of productive development with social equity as set forth in the document "Productive development in open economies", which has been prepared especially for this session.

Thank you for your participation.