

Capitation grant for education: When will it make a difference?



1. Introduction

When the government re-introduced free primary education in 2002 with the Primary Education Development Program (PEDP), it came with a particularly important innovation: the capitation grant. Primary aims of the grant were to replace revenue lost to schools because of the abolition of fees and to improve the quality of education by making real resources available at the school level. In particular, the capitation grant was meant to finance the purchase of textbooks and other teaching and learning materials, as well as to fund repairs, administration materials, and examination expenses.

The capitation grant is a dominant feature of the PEDP program, and many resources have been allocated to it: more than 80 billion shillings in 2009/2010 alone. This note considers the practice of the capitation grant in detail. It finds that:

- The original capitation grant policy of allocating \$ 10 per pupil has never been followed.
- Even if followed, the capitation grants are too small to cover the cost of learning materials.
- Actual capitation grant disbursements are less than what is allocated in the budget.
- Capitation grant disbursements are so unpredictable that proper planning is not possible.

As a consequence, we argue that the capitation grant needs revision: In terms of policy, more money should be allocated; in terms of practice, the budget allocation should be disbursed in full and in a timely manner; and in terms of transparency, everyone – including teachers, parents and students – should be aware about how much money will be sent when and for what purpose.



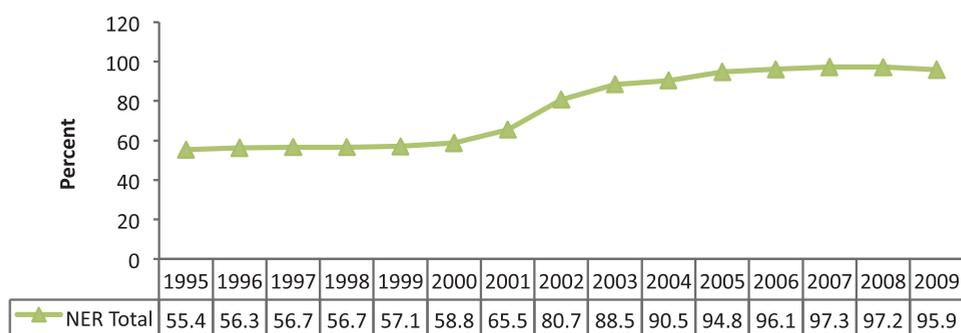
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2. The introduction of the capitation grant

By replacing revenue lost by schools due to the abolition of school fees and contributions, the introduction of the capitation grant allowed children from all wealth backgrounds to go to school. This reduced social exclusion as children from poor households could now afford to attend school. Net enrolment rates rose sharply from less than 60 percent of eligible school age children in the year 2000 to more than 95 percent since 2006 (Figure 1).

Figure 1: Net Enrolment Ratios (NER), 1995-2009



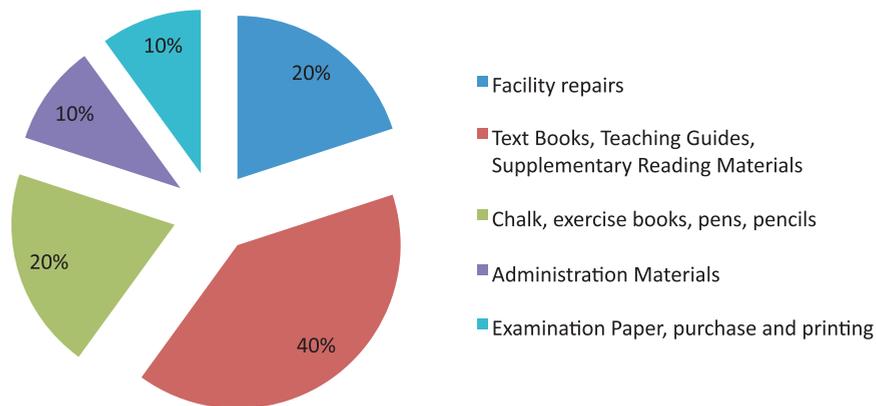
Source of data: Ministry of Education and Vocational Training, *Basic Education Statistics in Tanzania 2009*.

PEDP recorded other successes as well: 36,641 classrooms were constructed between 2002 and 2006; and between 2001 and 2009, teaching staff increased by 45,555. Even though the number of students increased dramatically, the availability of text books improved too. In 2007, the textbook to pupil ratio was reportedly 1:3 compared to 1:20 in 2000 (Sitta 2007). However, the basis on which this claim is made is unclear, since no reliable studies are offered as evidence.

The PEDP I (2002-2006) policy that accommodated much of this success stated that the capitation grant to each school should be equivalent, in Tanzanian shillings, to 10 US dollars per enrolled pupil. Under the PEDP II (2007-2011), the government revised the US dollar measure¹ downwards to make the grant Tshs 10,000, which was equivalent to less than 7 US Dollars in mid-2010. Figure 2 shows the schedule of administration of the grant, explaining how much of each shilling disbursed to the school should be used for facility repair, purchase of learning materials, stationery, and also to support administrative expenses (such as that of exams).

¹ Although the PEDP II commits to continue providing US\$ 10 per pupil as promised in PEDP I, in practice what has been effected is based on Annex 5 of PEDP II which gives a breakdown of the capitation grant and other quality improvement costs in Tanzanian shillings for a sum of 10,000 shillings.

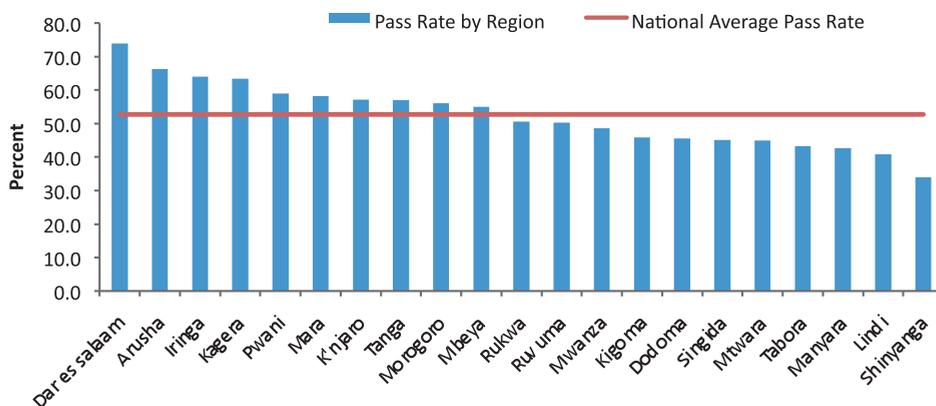
Figure 2: Capitation grant use schedule



Source of data: Primary Education Development Program II 2007-2011.

Despite these successes, it is not clear how the capitation grant has contributed to improving quality of education. One disappointment is that a good number of pupils remain unable to perform in the Primary School Leaving Exams (PSLE). In 2009, only fifty percent of the pupils who sat for the PSLE qualified to proceed into secondary school. Moreover, statistics for the regions show a considerable variation in performance. Some regions are good performers (relatively speaking) with more than 70 percent of pupils passing, while others, such as Shinyanga with just over 30 percent passing, do dismally (Figure 3).

Figure 3: Primary school leaving examination performance by region in 2008



Source of data: Ministry of Education and Vocational Training, *Basic Education Statistics in Tanzania 2009*.

The large number of children completing primary school without sufficient qualifications to proceed into higher levels of education raises questions as to whether the PEDP hasn't created new forms of inequity and social exclusion. It also raises questions about the role of the capitation grant in improving education quality.

However, as the capitation grant policy was never executed the way it was envisaged, the failure of the school system to improve quality should not be considered a failure of the capitation grant. Without proper implementation, the grant could not be expected to work.

3. Eight facts about the capitation grant

Data about capitation grant disbursements per district council and at school level are surprisingly inaccessible. Since capitation grants are public money intended to improve the quality of learning, it is in the interest of citizens that such information be more readily available. The Government would equally benefit from access to such data as monitoring is essential for appropriate planning. There is, therefore, an urgent need for a systematic approach to monitoring and reporting the amounts in capitation grants disbursed from central government to councils and from the councils to schools.

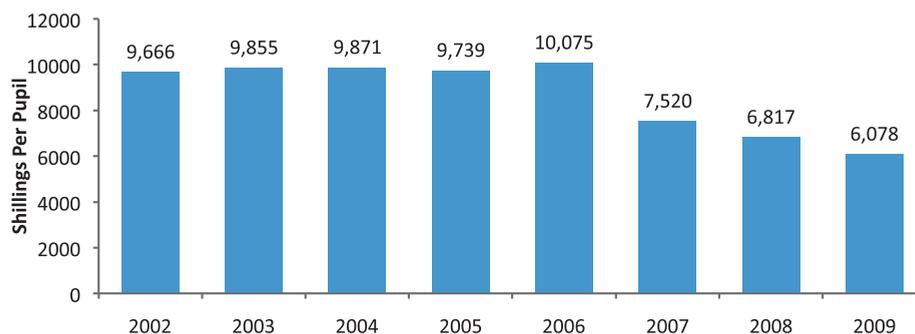
While this information is not yet available, this brief relies on information from Public Expenditure Tracking Surveys of the sector, the budget books, and interviews we conducted with teachers. The following observations stand out as requiring further attention.

3.1 Since 2002 the value of the capitation grant declined by over 35%.

During the first phase of free universal education under PEDP I (2002-2006), the capitation grant policy stated it to be 10 US dollars per pupil per year. This policy was revised to 10,000 TZ shillings in PEDP II (2007-2011).

Between 2001 and 2009 the cost of living in Tanzania increased substantially. Tshs 593 in 2002 bought the same amount of goods as Tshs 1,000 in 2009 (NBS 2009). Initially (between 2002 and 2006), the capitation grant was protected against this erosion of the value of the shilling as it was expressed in US dollars. But when the policy was revised under PEDP II, the real value of the capitation grant dropped sharply. In 2002, the \$ 10 grant was worth the equivalent of Tshs 9,666. In 2009, the Tshs 10,000 grant was worth only Tshs 6,078 (expressed in 2002 shillings), a 37 percent decline in value (Figure 4).

Figure 4: Capitation grant policy in real terms, 2002-2009²



Source of data: Authors' calculations based on PEDP stipulated capitation grant amounts.

² US dollar amounts are converted to shillings based on annual average exchange rates.

By keeping the capitation grant policy nominally unchanged, the government has allowed the value of the grant to dwindle in a manner that raises questions about the Government's commitment to allocate resources to the community level. Such a trend is disappointing considering that the education sector budget has grown considerably in recent years.

But even without adjusting for inflation, the actual amount of money reaching schools for capitation grants is clearly much less today compared to what it was between 2002 and 2003. According to the Education Public Expenditure Tracking Survey of 2004, in the period 2002-2003 schools received on average 5,400 shillings per capita. In 2007/08 however, the money actually reaching the schools had declined to 4,189 shillings per pupil (URT, 2010). This may be of particular interest to both teachers and citizens, who have an interest in ensuring that adequate resources for achieving quality at the school level are made available.

3.2 The capitation grant is insufficient to buy a minimum set of books

The total amount has declined, but how much is it now worth? Is the amount adequate to meet basic needs? Picture what can be bought with it. As shown in Figure 2, 40% of the capitation grant or Tshs 4,000 is meant for text books and teacher guides covering the full range of subjects, including English, Mathematics, Kiswahili, Geography, Civics, Vocational Skills, etc. Going by the price list of approved textbooks for instruction in primary schools established by one company (Ben and Company Limited) for 2008-2009, this money allows a school to buy, at most, one text book per pupil, as prices range between 3,500 shillings and 5,000 shillings. There are also books that are more expensive.

If children study six subjects, six books are required at a minimum, costing Tshs 38,900. Assuming that text books last for three years (this is an optimistic estimate for books that are used intensively), an allocation of Tshs 13,000 per annum would be needed for text books alone. So even if the Tshs 10,000 per pupil capitation grant were disbursed in full, which isn't the case, Tshs 4,000 would still be grossly insufficient to purchase a minimum set of text books.

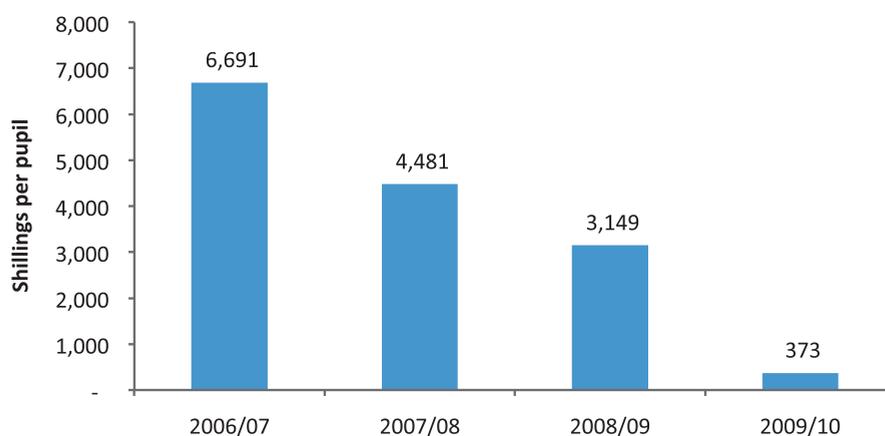
Table 1: The capitation grant book part vs. the actual cost of books for standard 5

Books Required (Standard 5)	Book Price in Tshs
History Pupil Book 5	4,900
Geography Pupil Book 5	4,800
Civics Pupil Book 5	4,800
Mathematics Pupil Book 5	4,900
Kiswahili Pupil Book 5	5,200
English Pupil Book 5	4,900
Science Pupil Book 5	4,500
Vocational Skills Pupil Book 5	4,900
Actual cost of a set of books for standard 5	38,900
The book part (40%) of the capitation grant	4,000
Book part as % of actual need	10.2%

Sources of data: Capitation Grant: Budget 2009/10; Book Price List: Ben and Company Limited, *Katalogi ya Shule za Msingi Tanzania Jan 2008-Des 2009*.

3.3 The amount allocated in the budget is less than that approved by PEDP policy.

The amount allocated in the budget for capitation grants has systematically been lower than the amount stated in the PEDP policy adopted by Cabinet. In 2007/08, for example, the shortfall in the capitation grant allocation was Tshs 4,481 as Government allocated 5,519 shillings per pupil compared to the amount of 10,000 shillings per pupil stated in the policy. Figure 5 below shows the shortfall in capitation grant allocations over the past four years.³

Figure 5: Capitation grant allocation shortfall per pupil in budget 2006/07—2009/10

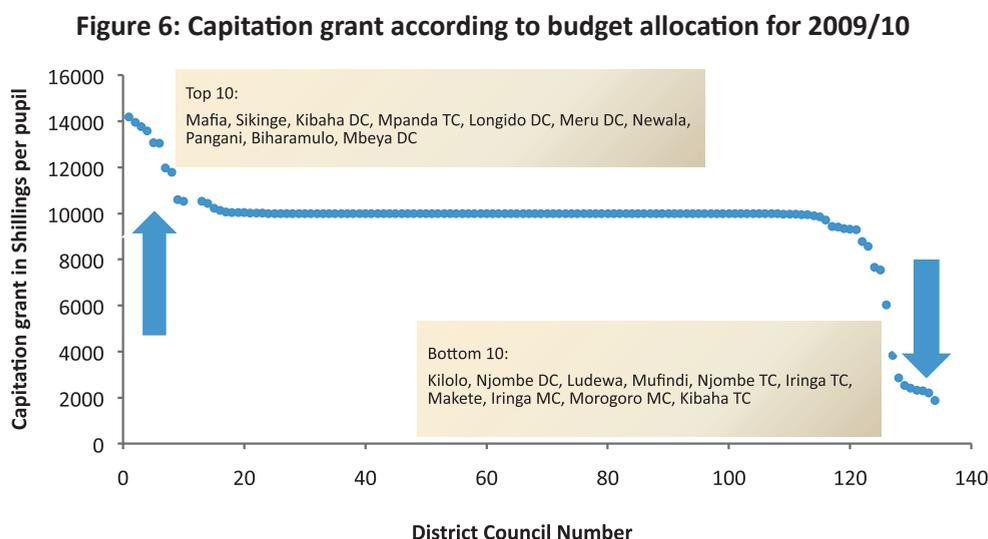
Source of data: Authors' Calculations based on budget data.

³ All calculations of capitation grant on fiscal year basis assumes that allocation of capitation grants in a fiscal year is based on the number of pupils enrolled in the existing calendar year: i.e., the allocation in 2007/08 is based on the number of pupils enrolled in 2007.

3.4 Some improvement is taking place.

As illustrated in Figure 5, the allocations for capitation (in the budget, not necessarily what schools received, see 3.6 below) improved considerably in 2009/10. In 2008/09 the allocation was roughly Tshs 6,851 per pupil, or a shortfall of Tshs 3,149 relative to the policy. In 2009/10 the amount allocated was about Tshs 9,627, implying a shortfall of 373 shillings relative to what the policy states.

While this figure marks a significant improvement over the past, at district level there remain cases where allocations deviate significantly from the mean. Figure 6 shows capitation grant allocation in 2009/10 for all district councils. It demonstrates how the allocation for most district councils is about Tshs 10,000 per pupil. However, there are councils that have been allocated amounts that are either significantly higher or lower than the average allocation in budget. Iringa councils appear in the lowest rung, among the bottom ten recipients, while Mafia (in Pwani) and Sikonge (in Tabora) are on the high end.



Source of data: Author's calculations based on 2009/10 budget data.

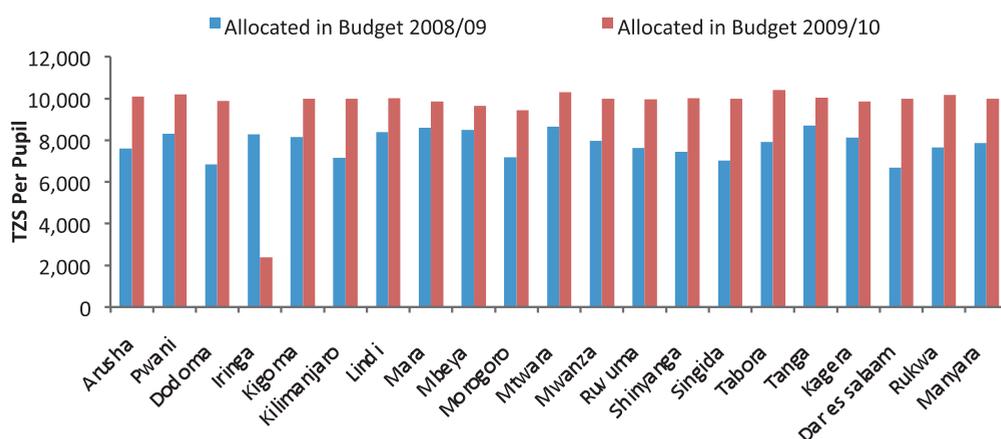
3.5 Variations in allocation do not reflect regional inequities.

With regard to the allocation of capitation grant per pupil, we examined the data to see whether well off regions consistently received higher allocations than poor regions. Regional economic profiles differ significantly in the country. Information from the National Bureau of Statistics on regional economic profiles ranks Dar es Salaam at the top and Singida at the bottom, when the per capita income of the regions in 2008 is considered.

By showing the information on allocations per region in 2008/09 and 2009/10 (Figure 7), we can see that a systematic pattern is lacking. Sometimes economically disadvantaged regions receive lower amounts of capitation grant per capita than relatively economically

well-off regions. But there are also instances where low income regions have more resources allocated to them than economically well to do regions. According to NBS statistics on per capita income in 2008, Singida and Dodoma are low income regions. In 2008/09, the two regions were also among the lowest five recipients of capitation grant per pupil, which included Dar es Salaam and Kilimanjaro (typical high income regions) and Morogoro (a middle per capita income region). One cannot, therefore, confidently argue that economically strong regions are favored in terms of the allocation of the capitation grant.

Figure 7: Capitation grant allocation by region 2008/09 and 2009/10



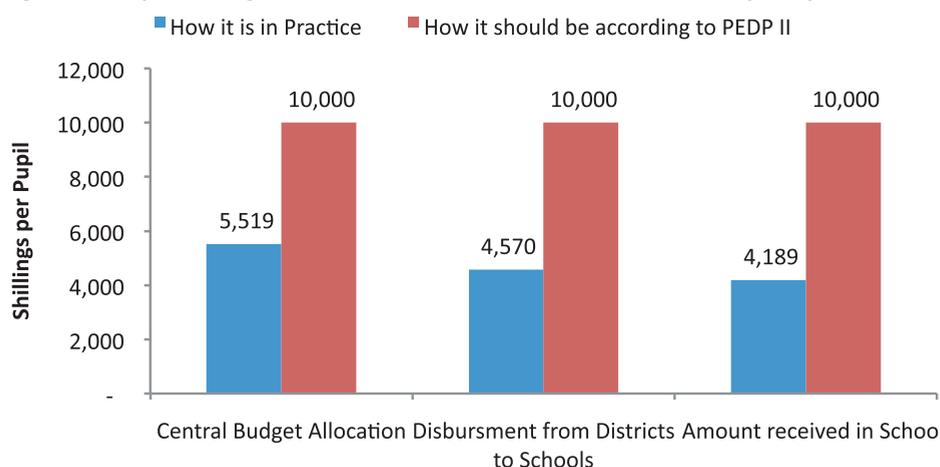
Source of data: Author's calculations based on budget data for 2008/09 and 2009/10.

3.6 Not all money that is budgeted is received at the schools.

For the capitation grant to have an impact, the money needs to reach the schools. Public Expenditure Tracking Surveys (PETS) provide a good tool for assessing whether money allocated to capitation grants actually gets to schools. Recently, in collaboration with its donors, the Ministry of Education and Vocational Training commissioned a tracking of public expenditure for the fiscal year 2007/08. This survey reveals that, in addition to allocations falling short of the policy, not all money that is allocated actually flows to the schools. A region, district council, or school may receive more or less than its budget allocation; usually they receive less.

For instance, in 2007/8 the amount in capitation grants reaching the schools averaged 4,189 shillings per pupil, while the district councils reported making disbursements averaging 4,570 shillings per pupil (MoEVT 2010). Yet, when one compares this to budget allocation, one finds that 5,519 shillings per student had been allocated (Figure 8). The PETS notes further variations across district councils and schools, and that amounts disbursed ranged from a minimum of 1,260 shillings to 19,236 shillings per pupil.

Figure 8: Capitation grant actual allocation and flow vs. PEDP policy in 2007/08



Source of data: Central Allocation (Budget Data); Disbursement (Councils) & Receipt (Schools): URT (upcoming) Public Expenditure Tracking Survey of Primary and Secondary Education in Mainland Tanzania, Final Report February 2010.

Box 1: A Teacher's experience with capitation grants

"We do receive the capitation grant, but it is a very small amount compared to the actual cost. It is also smaller under the current PEDP than it was during PEDP I. Last year, for example, what my school received was about 4,500 Shillings per pupil. Added to it is the fact that it comes in small installments that make it difficult for us to organize procurement. In December of last year for example, we received 187,000 shillings—what would that buy for my 427 pupils?"

At the moment, the text book to pupil ratio in my school is 1:7. Parents are not involved in terms of buying supplementary books for their children. The reality is that this situation is difficult to deal with. You cannot ask them to buy books, they will not understand and even if you asked them, they will not do it because they have been led to believe that the government is covering the cost. So we have to do with what we get. In addition to that, teachers' availability is also a problem.

When it comes to exams, of course the pupils have to pass, they perform just fine. But let me tell you something—I can assure you that good performance under the existing circumstances is only possible because there is a lot of cheating going on.

What I would suggest is that the District Education Office takes back the responsibility of procuring learning and teaching materials. My experience is that there are also times when the money is misused or the books that are bought are of poor quality."

Head teacher of a primary school in Rorya District

3.7 The timing of capitation grant disbursements is unclear.

For planning purposes, capitation grants need to be predictable: the amount needs to be reliable and the disbursements need to arrive on time. Money arriving at the school at the end of the school year can no longer be used to benefit students. Unfortunately, late disbursement of capitation grants, and the capitation grant arriving in small amounts rather than in meaningful amounts, appears to be the rule rather than the exception.

Box 2: A Teacher's experience with capitation grants

"We have more than 1,000 pupils in this school. At the moment there are 16 teachers in total. We receive a capitation grant, but it comes in installments and sometimes it is much delayed. Besides that, it is not enough. What we do is that we ask stationers to sell us books on credit and we pay when the money comes. We are thankful that they understand and trust that we will pay them.

Book prices vary. For last year, for example, the cheapest was 3,000 shillings; on average the price is around 5,800 shillings. Since we cannot buy enough books, the pupils have to share the few we have. At the moment, the book to pupil ratio is 1:5 in some classes, and in others it is 1:6. They have to use them in class only and when the classes are over, we collect them for others to use. They cannot take them home. Some parents who can afford it buy some books for their children. But a good number do not.

When the year starts, I do not know how much I will receive. I just wait for what they will send us. Since I do not know what we will receive, I also cannot demand it."

—Head teacher of a primary school in Dar es Salaam

Head teachers interviewed did not know in advance when or how much the school would receive in capitation grants. This situation means that, even if they receive less than what their schools are entitled to get, they will not know. They are therefore not in a position to follow up on what the policy says that they are entitled to receive.

3.8 Oversight is weak—money alone will not solve the problem.

Without adequate oversight there are few assurances that resources are used as intended. The discrepancies between the policy and budget allocations, between allocation and disbursements, and the story in Box 1 suggest that money can easily end up being misused. This conclusion is corroborated by what the Poverty and Human Development Report (PHDR) (2009) says about the malfunctioning of the textbook procurement system. The report notes serious concerns raised by the Education Sector Review 2008 about the high number of books left un-purchased or in storage, while children need books to read. It also notes problems arising from increasing pirating and poor quality copies of approved books being used in schools.

Oversight is needed in all of the four aspects that are key to the success of the capitation grant:

- Budget allocation,
- Disbursement,
- Timing of disbursement, and
- Spending.

This last issue has not been discussed, but it is evident that if money arrives at the school, parents through the School Committees may have to play an oversight role.

4. Conclusion

The capitation grant has facilitated higher enrolment rates and helped reduce an acute shortage of teaching and learning materials in schools. At the same time, it remains disappointing that a good number of pupils completing primary schools are unable to pass their PSLE, and, while inequities in accessing basic education have been largely resolved, new inequities in learning have appeared.

This brief has found that the capitation grant policy does not reflect conditions on the ground, in that the stated amount in the policy falls far short of what is needed to even provide a very basic set of learning materials. In addition, it is found that the way the grant is implemented leaves much to be desired: budget allocations are lower than stipulated by policy, budget allocations for districts do not follow the official criteria, the full budgeted amount is not released, and the full amounts released do not get to schools. Disbursements come in small installments and oversight is weak throughout the system.

Tanzanian children's education is too important to allow the undermining of free primary education. A call to change the current approach to the capitation grant is in place. Change can start in several areas.

- First, if the policy is to deliver, it needs to reflect the realities on the ground. The capitation grant amount of 10,000 shillings as stipulated by PEDP II is too low to lead to any meaningful changes in quality of learning and needs to be revised significantly upward.
- Second, when a policy is established, it has to be practiced. The full amount of capitation grants stipulated in the policy should reach schools in a predictable and timely manner.
- Third, oversight and transparency, regarding capitation grant allocations, disbursements, and spending need to be dramatically improved. Government (central and local level) should publish allocations of capitation grants in lump sum and per pupil as the year commences. Schools should report in a transparent manner the grants received and how the money was used, in a manner that is clear to every parent, teacher and pupil.

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