



Public Spending on Education in Latin America: Does It Pay?

by Pablo Zoido

(Based on the OECD *Latin American Economic Outlook 2009*)

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- ◆ Public spending on education in Latin America is rising, but recent achievements cannot mask persistent challenges.
- ◆ Latin American educational systems need to be more inclusive while improving the quality of schooling.

Education is one of the most important drivers of economic growth. The benefits of education go beyond the academic, contributing to economic objectives such as growth and productivity, as well as to social goals such as health and social cohesion. In a highly competitive, globalised world economy, public spending on education is more important than ever.

According to the OECD *Latin American Economic Outlook 2009*, public expenditure on education is substantial and rising in the region. As a proportion of GDP or total public expenditures, public spending on education in Latin America is as high as in the OECD. Yet on average Latin America still spends five times less per pupil than the typical OECD country. Part of the explanation lies in demographics, as the school-age population is much larger in Latin America than in OECD countries. But the gap between Latin America is striking even in relative terms: for example, Latin American spending per pupil in secondary education as a proportion of GDP per head, at 13 per cent, is only half of the OECD figure.

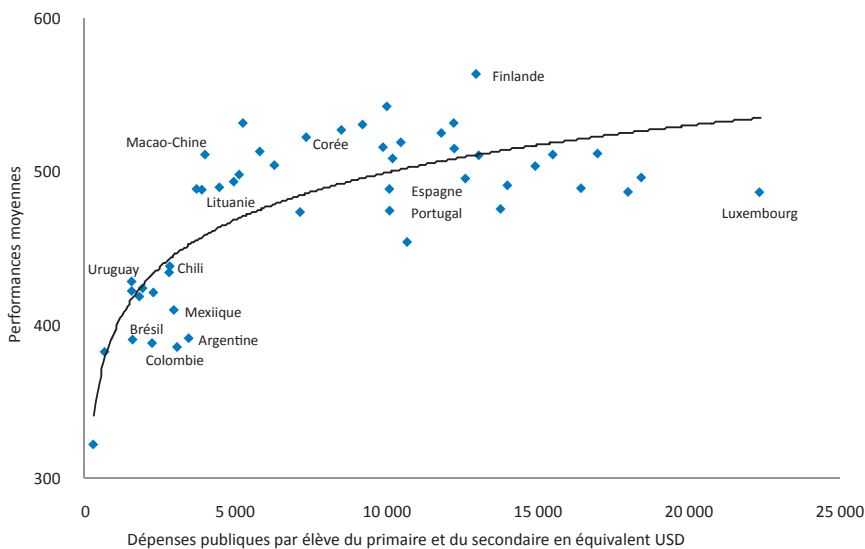
Despite significant demographic pressures, governments in the region have nevertheless ensured that most Latin Americans have at least some education: primary enrolment is almost universal in the region, and the proportion of the population over 15 years old without any schooling has dropped to only 6 per cent. While overall enrolments rates are increasing, significant gaps remain beyond

primary education, especially for poorer households. In Nicaragua, for instance, over 70 per cent of children from rich households attend secondary school, but less than 15 per cent of poor children do.

More spending does not necessarily guarantee higher quality; indeed, Latin American countries do not appear to secure the greatest possible value from what is spent. For instance, educational systems in Lithuania and Macao-China spend similar amounts per pupil as do Latin American school systems, but students in the former countries, from all socio-economic classes, perform better on standardised tests. Using the results of the 2006 OECD Programme for International Student Assessment (PISA) as a reference, 15-year old Latin Americans are on average the equivalent of three years of schooling behind their OECD peers. Students in other emerging economies also score below the OECD benchmark, but the gap is only about half as large as that observed for the six Latin American countries in the PISA study. More worrying, failure rates are very high among Latin American pupils. The majority of the regions' students did not demonstrate basic reading comprehension skills in the PISA 2006 assessment.

Thus, despite impressive achievements, improving the quality of education while ensuring higher participation and retention of students remains one of the main challenges for Latin America's development. Performance is generally improving, but remains poor by international standards.

Figure 1. **Public Spending on Education and Performance in PISA**



Note: Performance is measured by the country's average on the PISA 2006 science scale, and spending is measured by public spending per pupil on primary and secondary education as average of available data throughout the 2000s.

Source: Latin American Economic Outlook 2009, OECD 2008.

The key element is that some of the education policies that seem to matter most for student learning, according to the PISA study, are currently under-emphasised in Latin America. For instance, increasing transparency and encouraging students to spend more time in regular lessons and in other activities that promote learning seem to promote performance. Another important finding that comes out of international assessments such as PISA is that there is no automatic trade-off between performance quality and equity: those countries that perform best tend to be those that promote learning across all socio-economic segments of the population.

Education is an excellent example of the challenges facing Latin America as it pursues higher-quality fiscal policy more generally. More money would help, but how that money is spent matters as much or more. The current reform efforts in Chile and Mexico further illustrate that each case demands solutions tailored to the needs of their education systems and political contexts.