

# **Plan costing and financing**

[Educational planning methodology](#)

[Education costs and finance](#)

**To ensure they are realistic and achievable, policy priorities and strategies should be costed taking demographic and economic realities into account. Determining the costs of education sector plan (ESP) implementation therefore involves making projections about trends in the population and the education system, as well as setting targets according to different policy scenarios.**

## **Financial simulation models**

Financial simulation models help to inform decision-makers about the feasibility of policy choices. They are used to generate various scenarios, based on different objectives and targets. Typically, scenarios will reflect a mix of ambitious, moderate and conservative targets in different areas.

These models are essentially spreadsheets, customized to the conditions of a particular education system, with built-in formulas and relationships to allow for easy manipulation of the data. The basic inputs include:

- Demographic projections: by single age or school-age groups;
- Educational parameters: enrolment rates, student flows, class sizes, teacher/class ratios, student/manual ratios, etc.;
- Economic development indicators: economic growth, percentage of gross domestic product affected to the public budget, share of the budget allocated to education, etc.;
- Budgetary parameters: unit costs, average salaries, etc.;
- Specific programme costs: determined by costed action plans.

Through the estimation and input of costs at regular intervals, such models provide a projection of the macro-level investment required to achieve a particular set of policy objectives.

## **Managing funding gaps**

The availability of resources suitable for improving learning outcomes must be evaluated carefully while estimating an ESP's costs. Funding deficits are determined by comparing a plan's forecast cost with projections of national budgets and external resources available for education.

Financial simulation models are therefore key to ensuring that costed action plans are within budget limits, and may highlight the need for one or several courses of action:

- Budgetary compromises, involving intra or inter-sector trade-offs;
- Re-prioritization or re-scaling of policy objectives;
- Rethinking and adaptation of strategies and programmes;
- Identification of areas for efficiency gains, through a meticulous examination of unit costs;
- Mobilization of additional resources, through advocacy for key objectives.

A credible reference scenario and financing plan for the activities and corresponding inputs intended to improve learning outcomes should reflect the conclusions of a collaborative process between the government (different departments of the education and finance ministries), development partners, and local stakeholders.

#### References and sources

UNICEF (United Nations Children's Fund), World Bank. 2010. [Simulations for equity in education \(SEE\)](#). New York: UNICEF.

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