Guidance Note: Education Sector Risk Assessment

The education sector is vulnerable to a broad range of risks that can threaten development effectiveness. Risks can spring from several factors: substantial share of education in total government expenditure, opportunities for discretionary decision making, political interference and patronage networks, weak sector institutions, and nontransparent and inefficient systems. Vulnerabilities may exist at any stage and among any group of actors from policy makers to education providers and to education beneficiaries. Weak accountability increases the likelihood of misaligned priorities, resource leakages, and poor service delivery. This guidance note aims to explain key features of the education sector and identify entry points for mapping governance risks.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to two-thirds of the world’s poor: 1.8 billion people who live on less than $2 a day, with 903 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.
# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreword</td>
<td>v</td>
</tr>
<tr>
<td>Abbreviations</td>
<td>vi</td>
</tr>
<tr>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>Description of Key Sector Features</td>
<td>3</td>
</tr>
<tr>
<td>Functions</td>
<td>3</td>
</tr>
<tr>
<td>Institutional Features: Policy, Legal Framework, and Regulatory Aspects</td>
<td>4</td>
</tr>
<tr>
<td>Organizational Features</td>
<td>6</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>10</td>
</tr>
<tr>
<td>Governance Risks</td>
<td>12</td>
</tr>
<tr>
<td>Glossary</td>
<td>20</td>
</tr>
</tbody>
</table>
Foreword

The Guidance Note: Education Sector Risk Assessment is part of a series of guidance notes for priority sectors and subsectors of the Asian Development Bank (ADB). A joint knowledge product of ADB’s Governance and Education Communities of Practice, it offers a framework for mapping governance risks to inform the preparation of country partnership strategies. Such a framework covers institutional aspects (policy, legal framework, and regulation); organizational aspects (planning, financial management, procurement, and human resources); and sector operations.

This guidance note also supplements ADB’s Guidelines for Implementing the Second Governance and Anticorruption Action Plan. The purpose of the Second Governance and Anticorruption Action Plan is to improve ADB’s performance in implementing the governance and anticorruption policies in the sectors and subsectors in which ADB is active, as well as to design and deliver better quality programs and projects.

A team from the Public Management, Governance, and Participation Division of the Regional and Sustainable Development Department initiated this guidance note. The team comprised Surya Shrestha (senior governance and capacity development specialist) and Brenda Katon (governance specialist, consultant). Laarni Zapanta provided administrative support to the team.

ADB’s Governance and Education Practice Leaders provided input and suggestions during the preparation and finalization of this guidance note. Other reviewers included Jazira Asanova, Tariq Niazi, and Jose Luis Syquia. Their input is deeply appreciated.

The Department of External Relations extended timely assistance for copyediting, finalizing the cover design, and uploading this guidance note on ADB’s governance website. A special word of appreciation goes to Robert Hugh Davis, Vicente Angeles, Rodel Bautista, Ma. Priscila del Rosario, Christine Orquiola, and Anthony Victoria.

Sandra Nicoll
Concurrent Practice Leader (Public Management and Governance) and Director, Public Management, Governance, and Participation Division Regional and Sustainable Development Department

Jouko Sarvi
Practice Leader (Education) Regional and Sustainable Development Department
## Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>DMC</td>
<td>developing member country</td>
</tr>
<tr>
<td>GACAP II</td>
<td>Second Governance and Anticorruption Action Plan</td>
</tr>
<tr>
<td>ICT</td>
<td>information and communication technology</td>
</tr>
<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
</tr>
<tr>
<td>PPP</td>
<td>public–private partnerships</td>
</tr>
<tr>
<td>SBM</td>
<td>school-based management</td>
</tr>
<tr>
<td>TVET</td>
<td>technical and vocational education and training</td>
</tr>
</tbody>
</table>
Introduction

Objectives. This guidance note is intended for Asian Development Bank (ADB) staff involved in commissioning, undertaking, and/or reviewing governance risk assessments as required under ADB’s Second Governance and Anticorruption Action Plan (GACAP II). Its target audience comprises both governance and education specialists. As such, it is structured in a way that allows governance specialists to comprehend the features of the education sector, and education sector specialists to recognize areas that are vulnerable to governance risks. Specifically, it aims to explain key features of the education sector and identify entry points for mapping governance risks. It also supports efforts to generate knowledge products that can inform the preparation of future country partnership strategies (CPS).

Risk, in the context of GACAP II, refers to the risk of reduced development effectiveness—that the development objectives of developing member countries (DMCs) and ADB will not be met, or will be adversely affected by poor governance, weakly performing institutions, or vulnerability to corruption. GACAP II considers as priority areas those risks arising from public financial management, procurement, and corruption that affect development effectiveness. It recognizes, nonetheless, that the comprehensive sector risks can be more complex and can go beyond these three priority areas. In this light, sector diagnostics undertaken as part of economic and sector work must complement governance risk assessments to arrive at a more comprehensive sector risk analysis. This guidance note can be used as part of reference materials for the education sector.

This guidance note supplements ADB’s Guidelines for Implementing GACAP II. It does not replace the guidelines. The guidelines provide a risk management framework and map out the process for assessing, managing, and monitoring risks. This guidance note is meant to help staff in tailoring the generic sector risk assessment methods to the education sector.

---

2 Inputs to this guidance note came from some members of the Governance Community of Practice and the Education Community of Practice, as well as from procurement staff of ADB.
3 One of the knowledge products that must be available at the time of CPS preparation is the risk assessment and risk management plan covering the governance priorities of public financial management, procurement, and combating corruption. Other knowledge products include (i) priority sector diagnostics and analysis, (ii) economic analysis, (iii) poverty analysis, (iv) gender analysis, (v) environment assessment, and (vi) private sector assessment. ADB. 2010. Operations Manual: Operational Procedures for the Country Partnership Strategy. Manila.
terms of reference found in the guidelines (Appendix 4), and in considering the risk vulnerabilities specific to the education sector.

Structure of the Guidance Note. Section II describes the key features of the education sector. Section III outlines sector risks that cover GACAP II priorities of public financial management, procurement, and combating corruption. These priorities can be assessed within frameworks of (i) institutional features (policy, legal framework, and regulation); (ii) organizational aspects (planning, financial management, procurement, and human resources); and (iii) sector operations (student admissions; scholarships; curriculum development and production of learning materials, including textbooks; teacher training and development; evaluation and examinations, graduation certificates, and diplomas; school administration and supervision; and capacity development at central, provincial, and district levels).
Description of Key Sector Features

Functions

Education is central to development and is a necessary condition for achieving the Millennium Development Goals (MDGs). It is a fundamental building block for poverty reduction and human development, and is essential for inclusive economic growth. Education empowers; it enables a person to participate more actively in local and national government. Education inculcates the skills and knowledge needed to improve the quality of life, increase productivity, and boost income-earning potential. Education, particularly education of girls and women, helps reduce fertility and improve health and nutrition.

The education sector has symbiotic subsectors: (i) basic education, (ii) secondary education, (iii) technical and vocational education and training (TVET), and (iv) higher education. Basic education provides the bedrock for lifelong learning. It is a precondition for individual development and social growth. Secondary education imparts additional grounding in literacy, numeracy, and other vital skills. TVET provides knowledge and competencies that prepare individuals for the world of work, supports semiskilled and skilled occupations, and facilitates enterprise productivity and wealth creation. Higher education fills the need for higher-level managerial, technical, and administrative skills. As DMCs move up the economic and technological ladder, education plays an increasingly pivotal role in meeting evolving labor market needs and sustaining growth performance.

Education has undergone rapid change. Many countries in Asia and the Pacific have achieved universal primary education, and are expanding the period of compulsory education in response to economic and social demand. Despite increased access to education, the poor—disproportionately women, ethnic minority groups, the disabled, and persons living in remote regions—are often deprived of education. For disadvantaged groups, the direct and opportunity costs of education hamper access. Quality is a key determinant of the impact of education on economic growth. It is also vital for sustaining the gains achieved in education access. Developing the capacity of instructional staff and administrators, strengthening management structures, and improving partnerships are equally important.

The rapid growth of information and communication technology (ICT), as well as its increasing importance to social and economic development, has profound

---

5 The MDGs for education aim to achieve universal completion of primary schooling and elimination of gender disparity in enrollment at all education levels by 2015.
implications for education—both on how ICT can be used to strengthen education, and how education can be more effectively used to promote the growth and application of ICT. ICT has become essential for making education outcomes relevant to the labor market, and has the potential to revolutionize education content and delivery.

Many countries are decentralizing education management to subnational levels to improve efficiency, share costs, and provide better service. Often, local capacity to deliver education effectively and efficiently is limited. As governments seek to reduce their financial burden, the role of the private sector is increasing. The question of how to sustainably finance the delivery of quality and equitable education remains important for virtually all countries in Asia and the Pacific.

Institutional Features: Policy, Legal Framework, and Regulatory Aspects

Sector Policy and Strategy of ADB. Familiarity with the education sector policy is essential for ADB staff because it provides boundaries for potential actions and articulates sector goals. ADB’s vision for education is that “All children and adults will have equitable access to and complete education of sufficient quality to empower them to break out of the poverty cycle, to improve their quality of life, and to participate effectively in national development.” The education policy of ADB underscores (i) increasing equity and access; (ii) improving quality; (iii) strengthening management, governance, and efficiency; (iv) mobilizing resources for sustainable financing; (v) strengthening partnerships; and (vi) applying new and innovative technologies, especially ICT.

Strategy 2020, ADB’s long-term strategic framework (2008–2020), identifies education as a core area of operations. It reiterates support for expanded, higher quality, and more accessible basic and secondary education, particularly in poorer and smaller DMCs. It also seeks to raise the quality of TVET and of selected fields in tertiary education. Recognizing that the ability to produce higher-value goods and services and to produce and master technology will determine future DMC competitiveness, Strategy 2020 highlights the importance of quality educational institutions and an educated labor force in innovation.

ADB’s strategic education sector study addresses subsector issues and strategic priorities for basic education, TVET, and higher education. Overall, it centers on quality improvements and alignment of education assistance with the development and inclusive growth needs of DMCs. ADB’s Education by 2020: A Sector Operations Plan identifies five priority areas over the medium term: (i) increase and continue to align support in the education sector to meet the changing needs and priorities

---


of DMCs (i.e., scale up financing of loans, grants, and technical assistance, and strengthen economic and sector work); (ii) strengthen quality, inclusiveness, and relevant skills at all levels of education; (iii) adjust subsector priorities while recognizing major differences in education needs across countries; (iv) utilize new and innovative models of service delivery and financing such as public–private partnerships (PPPs) and ICT in education service delivery; and (v) promote regional cooperation and cross-border collaboration.

In line with good governance, the education policy upholds (i) stakeholder involvement, decentralized management, and partnerships (participation); (ii) effective policy formulation, program implementation, and efficient resource use (accountability), (iii) transparent decision making (transparency); and (iv) support for policy and regulatory environments (predictability).

Developing Member Country Education Policy. In general, the education policies of DMCs reflect support for increasing equitable access to education, improving the quality of education and learning outcomes, and strengthening service delivery. Education is seen as essential for achieving national goals of poverty reduction and human development. Thus, making high-quality basic education universal is underscored, along with expanding secondary education. In addition, DMC education policies support higher education and TVET to meet the demands of the labor market and, in the process, achieve regional and global competitiveness. Policies may also emphasize PPPs in delivering education services, quality assurance, and results-oriented management systems. Results-oriented management can play a vital role in strengthening accountability, transparency, and participation.

Legal Framework. The legal framework for the education sector includes such dimensions as (i) affirmation of education as a fundamental human right; (ii) sector structure, institutions, and mandates (e.g., who is responsible for what functions, what is the primary mode of delivering education services—centralized or decentralized, who will oversee the sector); (iii) registration and accreditation of education providers; (iv) core competencies of teachers, teacher certification process, and career progression; (v) financing of education; and (vi) student admission, examination, and education standards. The legal framework can also help promote sector improvements and develop a more inclusive education system (i.e., articulation of principles and rights to establish a framework for inclusion, reducing barriers to inclusion faced by children with disabilities, reserving enrollment slots for girls and disadvantaged groups, etc.). Laws, decrees, and ministerial orders are typical instruments that support the legal framework.

Quality assurance for educational institutions is addressed through registration, certification, and accreditation. Quality assurance for acquisition of individual skills is done through assessment and testing. Training standards based on academic and occupational requirements, together with testing systems, are important inputs for promoting quality.

Regulations. Regulations include norms, procedures, and codes of practice for education and training providers, and establish minimum education standards. Standards provide the link between student learning and the quality of education,
A multi-level structure characterizes the education sector—central ministry, regional, district, and school level. Help benchmark a quality framework, and create opportunities to improve learning. National education standards may fall into several clusters:

(i) **Graduate competency standards**—qualification and competencies of graduates in relation to their knowledge, skills, and attitudes.

(ii) **Learning content standards**—materials and competencies required such as the competency criteria of graduates, specific subject competency, basic structure of the curriculum, load of learning, curriculum within the units of education, academic calendar, and learning syllabi that the learners need to complete in every level and type of education.

(iii) **Learning process standards**—the conduct of learning to achieve the standard of competencies for graduates.

(iv) **Teachers and education personnel standards**—pre-service criteria, eligibility of teachers and education personnel, and in-service education.

(v) **Equipment and infrastructure standards**—minimum criteria for a classroom, library, sports center, playing space, laboratories, and other resources that are needed to support learning, including the use of ICT.

(vi) **Education management standards**—planning, implementation, and monitoring of education activities at various levels to achieve efficiency and effectiveness in the conduct of learning.

(vii) **Cost and finance standards**—component costs and operational costs of education units in a year.

(viii) **Educational assessment and evaluation standards**—national education assessment standards on the mechanism, procedure, and instruments for assessing learning outcomes.

### Organizational Features

**Structure.** In general, a multi-level structure characterizes the education sector—central ministry, regional, district, and school level. At the ministry level, decisions are made about policy and planning, curriculum development, textbook requirements, education finance, procurement of necessary school facilities and inputs, teacher education, and overall personnel management in the education system. At the regional level, directives from the ministry are carried out, along with setting specific strategies and budgets. At the district and/or school level, directors (or headmasters and principals) and teachers take important actions associated with the delivery of education services and day-to-day administration.

---

Planning is vital for making education responsive to dynamic local and global conditions, and typically takes the form of long-term, five-year, and annual planning.

In a school-based management (SBM) structure, where authority is transferred from the central government to the school level, variations in responsibility for decision making may exist. While some SBM programs transfer authority to principals or teachers only, others mandate parental and community participation in school councils or committees. In developing countries, SBM may delegate school budgets to the local level, and transfer authority over procurement of textbooks and other educational materials, infrastructure improvement, setting the school calendar to better meet the specific needs of the local community, and monitoring and evaluation of teacher performance and student learning outcomes. SBM may also include school development plans, school grants, and dissemination of educational results. It has the potential to hold school-level decision makers accountable for their actions but it may be necessary to build the capacity of community members, teachers, and principals to create or reinforce a culture of accountability.

Most education systems can be classified as state monopolies. Even in decentralized education systems, it is the government that runs the education system, whether at national or subnational level. In most countries, public schools are a virtual monopoly despite the existence of private schools: 80% of schools in countries covered by the World Education Indicators were public. Monopoly in school systems can result in poorly managed expenditure systems, lack of transparency, weak accountability, slow innovation, and lack of choice.

Planning. The education planning process typically includes an articulation of the vision of the education sector; objective setting; explanation of programs, projects, and targets; and assessment of needed human, financial, and physical resources. Planning is vital for making education responsive to dynamic local and global conditions, and typically takes the form of long-term, five-year, and annual planning. Education systems, in varying degrees, are subject to rapid changes driven by globalization, ICT, competition, and shifting perspectives. In response to these dynamic changes, strategic planning is vital. It calls for sector analysis, policy formulation, and action planning. Sector analysis, the first stage of sector development planning, includes (i) macroeconomic and sociodemographic frameworks; (ii) access to and participation in education; (iii) equity (reduction of disparities in education coverage relating to gender, socioeconomic class, ethnic grouping, geographic or regional disparities, etc.); (iv) quality and relevance of education by subsector; (v) external efficiency (the extent to which the education sector meets the changing demands of society and the economy); (vi) costs and

---

11 Four SBM models define who gets the decision-making power. These cover (i) administrative control, wherein the authority is devolved to the school principal to make the school accountable to the central district or board office; (ii) professional control, in which the main decision-making authority lies with the teachers to make better use of teachers’ knowledge of what the school needs at the classroom level; (iii) community control, in which parents have the major decision-making authority; and (iv) balanced control, in which decision making is shared between parents and teachers. In general, blended models exist. Felipe Barrera-Osorio, Tazeen Fasih, Harry Anthony Patrinos, and Lucrecia Santibanez. 2009. Decentralized Decision-Making in Schools. Washington, DC: The World Bank. http://go.worldbank.org/9EX3ZU6090


Governments finance the provision of education, however, when faced with competing development priorities, national and subnational education budgets are at risk of being cut. Financing of education; and (vii) managerial and institutional aspects. Sector-wide approaches can help guide the balanced development of education subsectors. 

Financial Management. Governments largely finance the provision of education. However, when faced with competing development priorities, national and subnational education budgets are at risk of being cut. Education budgets can be more affected by decisions to reverse budget allocation than those that are politically high profile. Reversals and changes within the education budget frequently affect non-wage expenditures (i.e., learning materials and school maintenance). Teachers’ salaries, often the largest item in the education budget with a share of 70%–80%, are less likely to be cut. While it may be difficult to decrease spending on salaries, shortages of textbooks and poor school infrastructure can provide disincentives for parents to send their children to public schools.

PPPs have emerged due to the unmet demand for education. One form of PPP involves the government entering into a formal agreement with nongovernment and private sector organizations to provide education services at an agreed price for a specific time frame. By involving these organizations, governments help expand access to education and choices of education providers. Poorly implemented PPPs, however, can lead to policy risks such as unmet objectives, and financial management risks, such as cost increases and misuse of funds. For example, where private schools receive per student funding from the government for the delivery of education services, inflated enrollment data can be used to overstate claims if third-party validation is absent. Lack of capacity to manage payment systems and track expenditures can lead to diversion of funds to “ghost” schools. Delayed payment of legitimate claims can discourage private education providers from participating in PPPs.

PPPs, when well defined and tailored to DMC circumstances and guided by appropriate regulatory frameworks, can contribute to efficient service delivery, increased choice, and wider access to services. Experience with PPPs has shown the importance of (i) strengthening the capacity of public education agencies to regulate, monitor, and contract with the private sector; (ii) building the capacity of private providers to deliver high-quality education; and (iii) creating institutions to implement PPPs and to guarantee access to information about educational outcomes. Equity is also important in designing and implementing PPPs. As part of the PPP agreement, targeting voucher programs to underserved populations (such as girls and disadvantaged groups, hard to reach students, and minorities) is a means of improving equity in access to education.


Procurement. Various forms of contracting exist in the education sector (footnote 15). These include (i) management services (the government engages a private organization to manage a single school or an entire district, and to take care of financial management, staff management, and long-term planning); (ii) support services (non-instructional activities such as maintenance, student transport, and school meals); (iii) professional services (teacher training, curriculum design, textbook publishing and delivery, and quality certification); (iv) operational services (engagement of private organizations in education service delivery, maintenance of school facilities, and others); (v) education services (governments fund individual student enrollment in private schools through scholarships, vouchers, or subsidies); and (vi) facility availability (mobilizing private investment to build school facilities, which includes build–operate–transfer arrangements).

In terms of textbook procurement, both the government and the supplier face certain concerns. For the government, developing adequate technical specifications for the book itself and the subject matter is a key concern, along with decisions to separate manuscript development from textbook printing. Assigning manuscript copyrights to the government can ensure that contracts for subsequent reprinting are not captured by the publisher that initially developed and printed the manuscript. For the supplier, competitiveness of the local industry partly determines how textbook procurement is packaged. When the market is divided among a small group of publishers or when procurement is sole-sourced to a copyright owner, textbook prices are likely to be high. Textbook delivery can also be a problem when delays and short deliveries occur.

Procurement is subject to the requirements of governments and development partners. Basic principles are transparency, a level playing field, and awarding of contracts that represent the best value for money. Officials, bidders, and procurement agents, however, may find ways around procurement rules to make illegal gains. Specifications may be tailored to certain bidders, or technical complexity may be used to justify lock-out specifications to favor a particular contractor. Invitations to bid may not be published, thereby restricting the number of bidders, or very short deadlines for bid submission may be required to make it difficult for bidders who have no prior knowledge of the contract. A staff member of an education institution may take part in the selection of a supplier from a number of bidding firms, and favor firms operated by a relative or a friend, or in which he/she has a financial interest. The evaluation criteria for contract awards may not be clear, leaving no basis to justify decisions. Contractors may offer kickbacks to school administrators who, in turn accept substandard textbooks, facilities, and equipment. The school administration may falsify inspection certificates or ignore inferior facilities and learning materials from their contractors as a result of kickbacks. Some countries involve third-party monitoring and inspection by nongovernment organizations and other appropriate entities to ensure transparency in procurement.

Management Information System. The education management information system (EMIS) is essential for managing education systems. A computerized EMIS helps organize systematically data and information to serve various needs—planning and budgeting, education services, policy research and analysis, monitoring and evaluation, and international collaboration and communication. EMIS comprises a set of processes by which data and information about schools and schooling (e.g., budgets, teacher deployment, distribution of teaching materials to schools, student performance assessment, internal efficiency of the education system,
Examining the formal and informal relationships among stakeholders can help identify where risks may lie.
Stakeholder analysis is important in understanding the governance of the education sector. Governance tends to be more effective when there is (i) a demand for accountability from stakeholders; and (ii) a supply of governance (where actors in power share information, take decisions within a clearly defined regulatory framework and transparently allocate resources, offer space for participation, and are accountable for their actions). Stakeholder analysis can be expanded into a political economy analysis that identifies affected groups and looks at their position vis-à-vis policy changes, their influence on government, the likelihood of their participation in coalitions to support change, and alternative strategies for overcoming governance risks.

---


Governance Risks

Understanding the Risk Environment and Identifying Risks. The education sector is vulnerable to governance risks due to (i) its substantial share in total government expenditure (10%–20%), (ii) opportunities for discretionary decision making and rent seeking, (iii) weak institutional capacity, and (iv) political interference and patronage networks. Vulnerabilities may exist at any stage (e.g., policy making, regulation, planning, financial management, procurement, human resources management, and operations), and among any group of actors from policy makers at the ministerial level, to providers at the school level such as teachers and contractors, and to education beneficiaries such as students and parents.\(^\text{18}\)

Government accreditation of educational institutions, for example, may be based on nontransparent criteria. Bribes may be paid to officials in return for an accreditation certificate. School officials may bypass criteria for teacher recruitment, promotion, and transfer as well as employ “ghost” employees. Unofficial fees may be charged for student admission and examinations. Students may be required to pay for tutoring sessions to cover the curriculum, which should have been taught in the classroom.

In procurement, unexplained delays, bidding irregularities in favor of certain contractors, or unjustified sole-source awards may be connected to bribes and kickbacks. Persistently high bid prices, relatively few bidders, and the same bidders (with losing bidders becoming subcontractors) may indicate contractor collusion.\(^\text{19}\)

In textbook production, collusion between the publishing house and school authorities can inflate the price to anticipate the amount of bribes to be paid. Payoffs and leakages can result in a reduced quantity of textbooks and low textbook quality. In school construction, substandard, unsafe, and unstable buildings prone to rapid deterioration may be built as a result of corrupt practices.\(^\text{20}\)

Corruption is often rooted in non-accountability.

When key systems and processes (i.e., budget allocation, procurement, teacher appointment, deployment, and promotion) are not transparent, discretionary decision making may occur. Weak capacity increases the likelihood of misallocation of resources, expenditure leakages, lack of performance monitoring and evaluation, and low demand for services among the poor. It can be manifested in poorly designed and unenforceable contracts with the service provider.

---


Governance Risks

Risks tend to be relatively more serious where accountability is absent, decision making is discretionary, and lack of transparency is prevalent. Risks need to be assessed and prioritized in terms of likelihood and seriousness. For details on classifying and prioritizing identified risks, please refer to www.adb.org/Documents/Guidelines/GACAP-II-Guidelines.pdf. Reducing risks from poor governance calls for an understanding of where they occur, what arrangements sustain them, and which systems and stakeholders can be strengthened to foster integrity and accountability in the sector.

Examples of Governance Risks. The table below presents general governance risks that may be present in the education sector. Some of these risks may occur in the specific DMC education sector being assessed; others may not. The risks are meant to be illustrative, and are not exhaustive. This guidance note excludes risk management measures because differences in country context call for measures that are tailored to specific situations. When preparing an education sector risk assessment, in accordance with GACAP II, to inform a new CPS formulation, the governance risk assessment and risk management plan will follow Appendix 8 in the GACAP II guidelines.

Education Sector—Examples of Governance Risks

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Institutional Risks</td>
<td></td>
</tr>
<tr>
<td>1.1 Policy</td>
<td>Misaligned policy priorities leave the education sector under resourced. Decision makers prioritize hard investments (i.e., military hardware and large construction projects) over soft investments (i.e., the daily costs of running schools) due to opportunities for enriching themselves and/or their associates. This bias works against adequate investments in school maintenance and operations.</td>
</tr>
<tr>
<td>1.2 Legal framework</td>
<td>The absence of a legal framework for managing contracts makes the sector vulnerable to discretionary decision making and corruption.</td>
</tr>
<tr>
<td>1.3 Regulation</td>
<td>Criteria bypass, bribes or favoritism in private school establishment, accreditation, and subsidies allocation compromise access, quality, and equity of education. Lack of well-defined procedures and regulations provides opportunities for corruption.</td>
</tr>
</tbody>
</table>

continued on next page
Guidance Note: Education Sector Risk Assessment

1. Dimension Risks

- Lack of capacity for enforcing an accreditation system impairs the quality of education.
- Lack of, if not inadequate enforcement of the professional code of conduct for school personnel (e.g., administrative staff and teachers), provides opportunities for engaging in corrupt practices.
- Overlooking school violations during inspector visits in return for bribes or favors subverts education standards.
- Bribes for lax implementation of examination procedures, assessment criteria, and certification of examination results weaken the quality of education.

2. Organizational Risks

2.1 Planning

- Directing the location of school construction and services to locations that offer opportunities for personal gain contributes to corruption risks.
- Manipulation of data concerning number of students, admission of certain groups (e.g., children of poor parents, girls, minorities), or examination results of students, where funding and/or job allocations are based on these criteria, distorts resource allocation.

2.2 Financial management

- Off-budget activities, nontransparent budget processes, and poorly managed expenditure systems provide opportunities for misuse of funds.
- Weak financial management capacity, inadequate auditing and monitoring systems, poor documentation and reporting requirements, and lack of financial transparency can result in leakages of funds. These can impact on education access, quality, and equity.
- Failure to provide adequate funding for the decentralization of education financing at the school level hampers the effective delivery of education services.
- Lack of (or limited) participation of teaching staff, students, parents and other representatives of civil society in financial planning and fund allocation at the school level can weaken accountability and lead to the misuse of funds.

Table continued

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lack of capacity for enforcing an accreditation system impairs the quality of education.</td>
</tr>
<tr>
<td></td>
<td>Lack of, if not inadequate enforcement of the professional code of conduct for school personnel (e.g., administrative staff and teachers), provides opportunities for engaging in corrupt practices.</td>
</tr>
<tr>
<td></td>
<td>Overlooking school violations during inspector visits in return for bribes or favors subverts education standards.</td>
</tr>
<tr>
<td></td>
<td>Bribes for lax implementation of examination procedures, assessment criteria, and certification of examination results weaken the quality of education.</td>
</tr>
</tbody>
</table>

continued on next page
Governance Risks

1. Allocation of Resources

The allocation of resources by politicians to particular schools can make schools vulnerable to political interference. Poor information systems enable continuing payments to “ghost” teachers and employees and to those who have left public service, or have died. This situation distorts resource allocation.

Diversion of funds raised by local nongovernment organizations and parents’ organizations erodes confidence in the capacity of school authorities to use resources appropriately.

In the delivery of education services through public–private partnerships (PPPs), education service providers that receive per student funding from the government can inflate enrollment data to obtain higher payments, particularly in the absence of third-party validation of data. This provides opportunities for corruption.

Payments to “ghost” schools can occur. Lack of capacity to track payments in PPPs can lead to the misuse of funds.

2.3 Procurement

(i) Procurement planning

Inadequate procurement expertise leads to loose contracts and poor delivery of services.

Where manuscript copyrights for textbook production in the public sector are not separated from printing, the publisher that initially developed and printed the manuscript can monopolize subsequent reprinting contracts. This leads to inflated costs.

(ii) Advertising

Limiting the dissemination of information on procurement opportunities to favored firms jeopardizes procurement based on best-value or expertise.

(iii) Prequalification and submission

Potential contractors—building contractors; textbook authors and publishers; and suppliers of school equipment, furnishings, school uniforms, and meals—influence school administration before contracts are awarded to eliminate other competitors. This undermines a level playing field for procurement.

Table continued

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The allocation of resources by politicians to particular schools can make schools vulnerable to political interference.</td>
</tr>
<tr>
<td></td>
<td>Poor information systems enable continuing payments to “ghost” teachers and employees and to those who have left public service, or have died. This situation distorts resource allocation.</td>
</tr>
<tr>
<td></td>
<td>Diversion of funds raised by local nongovernment organizations and parents’ organizations erodes confidence in the capacity of school authorities to use resources appropriately.</td>
</tr>
<tr>
<td></td>
<td>In the delivery of education services through public–private partnerships (PPPs), education service providers that receive per student funding from the government can inflate enrollment data to obtain higher payments, particularly in the absence of third-party validation of data. This provides opportunities for corruption.</td>
</tr>
<tr>
<td></td>
<td>Payments to “ghost” schools can occur. Lack of capacity to track payments in PPPs can lead to the misuse of funds.</td>
</tr>
</tbody>
</table>

continued on next page
### Guidance Note: Education Sector Risk Assessment

#### Dimension | Risks
---|---
(i) The terms of bidding are tailored to certain bidders, which distorts the selection process.
Collusion among bidders jeopardizes competitive procurement and can result in overpricing and low quality.
Where a state-owned enterprise has taken on responsibility for manuscript development and/or textbook printing, eligibility for an ADB-financed contract can be compromised.

(iv) Bid evaluation
Disqualification of bidders and/or selection of high-priced bidders without sufficient justification pose corruption risks.
Unclear bid selection criteria leave room for manipulation and biased bid assessments.

(v) Award of contracts
An inadequate legal basis for procurement impairs fair competition in awarding contracts.
Decisions to award contracts based on a single measure of merit (either cost or quality) to favor one of the bidders undermine competitive procurement.
Limited competitiveness of the local market can lead to higher-priced procurement of textbooks and other learning materials.

(vi) Contract management
After contracts are awarded, school administrators do not require contractors to meet the stipulated quantities and quality, resulting in the production of fewer items, higher unit cost, and/or low quality.
Delays in the delivery of textbooks and other learning materials that go beyond the start of the academic year, as well as short deliveries, hamper optimal resource use by intended users.
Falsification of delivery certificates, quality tests, and invoices poses corruption risks.
Inadequate complaints mechanisms or non-application of existing regulations provide cover for the misuse of resources.
Inadequate stock control of inventories and capital assets can lead to inappropriate procurement.

---

*continued on next page*
### 2.4 Human resources

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Favoritism, nepotism, bribes, and criteria bypass in recruitment, job allocations, transfers, and promotion of administrative staff and teachers can interfere in the performance of duties and jeopardize the quality of education.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Unclear criteria and procedures in recruitment, appointments, and promotion can foster corrupt practices and curb incentives for staff to perform well.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>School administrators are oftentimes trained as teachers. Hence, they may lack the skills to analyze audits and financial information. This can hamper early detection and prevention of fund diversion.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>The absence, or non-implementation, of developed methods for recording and reviewing teacher performance provides opportunities for discretionary decision making and corruption.</strong></td>
<td></td>
</tr>
</tbody>
</table>

### 3. Sector Operations

#### 3.1 Student admissions

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The nontransparent admission and selection process creates opportunities for preferential treatment of students in return for bribes.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Extraction of payments for services that should be provided free provides opportunities for corruption.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Corrupt school personnel falsify data files and admission test scores to allow entry of certain students in return for unofficial payments from parents.</strong></td>
<td></td>
</tr>
</tbody>
</table>

#### 3.2 Scholarships

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nepotism, bribes, and bypass of criteria in allocating allowances and fellowships undermine equitable access to scholarships.</strong></td>
<td></td>
</tr>
</tbody>
</table>

#### 3.3 Curriculum development and learning materials

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nondocumentation and non-evaluation of course outlines and lesson plans can obstruct informed decisions to revisit and redesign course curricula.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Lack of capacity for making the curricula responsive to market requirements, particularly in the case of technical and vocational education and training, contributes to the unemployment of graduates.</strong></td>
<td></td>
</tr>
</tbody>
</table>
### Dimension | Risks
--- | ---
| | Requiring the use of learning materials that are copyrighted by teachers, or forcing them to purchase certain materials, poses corruption risks. Diversion of learning materials and school supplies to unauthorized uses deprives the intended recipients of these materials and creates opportunities for illegal gains.

3.4 Teacher development and training | Fraudulent teaching licenses and authorizations for teaching jeopardize the quality of instruction. Paying bribes to higher officials in the system to secure career advancement compromises the integrity of the educational system and the career progression process.

3.5 Evaluation and examinations, graduation certificates, and diplomas | Teaching staff and examiners who sell examination questions, grades, and certificates can compromise the quality of education. The risk of manipulation can occur due to the nontransparent evaluation and certification of examination results. This compromises the integrity of the education system. Required signatures are withheld, unless bribes for services, examination results, and/or certificates are paid.

3.6 School administration and supervision | Inadequate technical and quality management, supervisory and control systems, and/or grievance mechanisms jeopardize efficiency and effectiveness of school operations. The persistent absence of teachers from their place of work reduces learning opportunities for students and compromises learning outcomes. School administrators who allow teachers to teach only part of the curriculum and the rest through private lessons can undermine the education system. Forcing students to take private supplementary tutoring in return for unauthorized fees can create opportunities for corruption.
<table>
<thead>
<tr>
<th>Dimension</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of capacity development diagnostics</td>
<td>hampers the realistic assessment of needs at central, provincial, and district levels and poses risks from non-optimal use of resources. Nontransparent selection criteria for capacity development can lead to the capture of such opportunities by those who enjoy close links with decision makers. This undermines efforts to develop and upgrade expertise in a coherent and effective manner.</td>
</tr>
</tbody>
</table>

Sources:
(i) ADB Education Sector Guidance Note Preparation Team.
Glossary

Basic education – Education that provides the foundation for continuous and lifelong learning. It is designed to meet the student’s fundamental learning needs.

Bid rigging – Competing firms in a bidding process secretly conspire to raise prices or lower the quality of goods and services.

Bribe – Advance payment to an official or staff member in return for a promise to act in a certain way, such as awarding a contract to a particular firm.

Capacity development – It is the process of unleashing, strengthening, and maintaining capacity over time. Capacity refers to the ability of people, organizations, and society to manage their affairs.

Competitive bidding – A selection process based on open and transparent advertisement of an item or service, which ensures that the best bidder wins according to qualifications, value, and other objective criteria.

Conflict of interest – Any situation in which a party has interests that could improperly influence that party’s performance of official duties or responsibilities, contractual obligations, or compliance with applicable laws and regulations.

Corruption – The abuse of public or private office for personal gain. It involves behavior on the part of officials in the public and private sectors, in which they improperly and unlawfully enrich themselves and/or those close to them, or induce others to do so, by misusing the position in which they are placed.

Corrupt practice – The offering, giving, receiving, or soliciting, directly or indirectly, anything of value to improperly influence the actions of another party.

Financial management – A conglomeration of processes including accounting, financial reporting, internal controls, and audit.
<table>
<thead>
<tr>
<th><strong>Governance</strong></th>
<th>The manner in which power is exercised in the management of a country’s economic and social resources for development. It is synonymous with sound development management.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Higher education</strong></td>
<td>An education that involves degree programs in colleges and universities.</td>
</tr>
<tr>
<td><strong>Institutions</strong></td>
<td>These constitute formal and informal rules that govern the behavior and shape interactions among groups and organizations. They are associated with policy, legal, and regulatory frameworks.</td>
</tr>
<tr>
<td><strong>Organization</strong></td>
<td>An entity consisting of structures, systems, and procedures that is oriented to the pursuit of specified objectives.</td>
</tr>
<tr>
<td><strong>Policy</strong></td>
<td>A statement of a set of goals. A declaration of what is to be achieved.</td>
</tr>
<tr>
<td><strong>Procurement</strong></td>
<td>The process through which suppliers of goods and services are selected and contracted.</td>
</tr>
<tr>
<td><strong>Stakeholder</strong></td>
<td>An individual, community, group, or organization with an interest in the outcome of an activity or an intervention.</td>
</tr>
<tr>
<td><strong>Technical and vocational education and training</strong></td>
<td>Preparation for a trade or occupation in the labor market. Routes to skills acquisition include institution-based training by public and private providers, nongovernment organizations, and enterprise-based training in the formal and informal economies (including traditional apprenticeship).</td>
</tr>
<tr>
<td><strong>Quality assurance</strong></td>
<td>A range of review procedures designed to maintain academic standards and promote learning opportunities for students.</td>
</tr>
</tbody>
</table>
Guidance Note: Education Sector Risk Assessment

The education sector is vulnerable to a broad range of risks that can threaten development effectiveness. Risks can spring from several factors: substantial share of education in total government expenditure, opportunities for discretionary decision making, political interference and patronage networks, weak sector institutions, and nontransparent and inefficient systems. Vulnerabilities may exist at any stage and among any group of actors from policy makers to education providers and to education beneficiaries. Weak accountability increases the likelihood of misaligned priorities, resource leakages, and poor service delivery. This guidance note aims to explain key features of the education sector and identify entry points for mapping governance risks.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to two-thirds of the world’s poor: 1.8 billion people who live on less than $2 a day, with 903 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration. Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.