

IMPROVING EDUCATIONAL QUALITY IN HONDURAS: BUILDING A DEMAND-DRIVEN EDUCATION MARKET

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On average, Honduras spends much more on public education than other Latin American countries. However, Honduras' increased spending on education has not resulted in superior educational outcomes. The Honduran education system faces problems of general service provision, including low teacher accountability and poor performance. This paper briefly outlines how the education sector can build upon the foundation laid by PROHECO, a community-based education program financed by the World Bank (WB) and other countries' experiences to foster a more productive educational system driven by demand. By tackling the aforementioned quality-hindering issues through the decentralization of the education system, implementing a community performance management mechanism (performance-based bonuses) and introducing vouchers for lower income students, the Honduran education sector would create a new competitive market-oriented environment for the provision of education leading to increased quality in the delivery of education.

INTRODUCTION

The Honduras Poverty Assessment consistently suggests that low levels of growth and persistent poverty in Honduras are linked to low levels of human capital formation (World Bank 2006c). The Honduran education

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system faces the common problems of general service provision, including lack of affordable access, poor administration, low technical quality, low teacher accountability and stagnant productivity.

To improve the delivery of educational services, Honduras will need to encourage initiatives aimed at generating a new market-oriented environment. Valuable lessons can be learned from recent experiences within the Honduran education sector, such as PROHECO— a community-based education program financed by the World Bank (WB). This paper outlines how the education sector can build upon the foundation laid by PROHECO and other countries' experiences to foster a more productive educational system driven by demand. Properly establishing these reforms with the transparency that comes with more public information will increase checks and balances between citizens, communities, and policy makers for a higher quality education in Honduras.

COUNTRY CONTEXT AND STATE OF EDUCATION SECTOR IN HONDURAS

Honduras is a lower middle-income country with a per capita income of U.S. \$1,190 and a population of 7.5 million (INE 2007). It stands out, historically, as one of the slowest-growing and poorest countries in Latin America. Honduras' mixed poverty-reduction performance has called into question the Poverty Reduction Strategy's (PRS) effectiveness: 60.2 percent of the population dwells below the poverty line with 35.9 percent in extreme poverty (INE 2007). These indicators have hardly changed since 1997. This is particularly troubling in view of the steady increase in anti-poverty spending, especially since 2002, which averaged 8.5 percent of the GDP from 2004 to 2006.

The most striking change in central government expenditure from a sector composition viewpoint has been the increase in social sector spending. The area that has exhibited the greatest expenditure rise is education, whose share of GDP more than doubled, from 3.2 percent in the late 1990s to 7.3 percent from 2003 to 2005 (World Bank 2007). Much, if not most, of the growth in education and health sector expenditures since 1998 consisted of increased spending on wages and salaries— 41.6 percent of total PRS spending, according to the 2006 PRS Progress Report (Ministry of the Presidency 2007). Both sectors are well organized and politically powerful, so that much of this increased spending translated into higher real wages, without evident improvements in services, performance, or accountability (Gropello 2005). This outcome is reflected in the inefficiency of public expenditures. Honduras ranks close to the bottom in

terms of education spending efficiency in Latin America. It has among the worst social indicators in Latin America, particularly lagging behind in educational quality (World Bank 2007).

INCREASED SPENDING AND POOR OUTCOMES IN HONDURAN EDUCATION

On average, Honduras spends much more on public education than other Latin American countries (7.3 percent of GDP in contrast to 3.1 percent average for the rest of Central American countries) as exhibited in Table 1. According to end-of-year budget reports (Appendix I), Honduras' public education funding represented 30 percent of total expenditures in 2006 (Ministry of Finance 2003-2007) when neighboring countries such as Guatemala and Nicaragua averaged below 15 percent, and Costa Rica and El Salvador below 20 percent (PREAL 2007). Nevertheless, higher public spending has not resulted in superior educational outcomes. Honduras has registered steady improvements in key education indicators since the end of the last decade, but key shortcomings remain in terms of completion rates, secondary education coverage and quality of education.

Table 1: Education Outcomes in Central & Latin America: 2004

	Honduras	Costa Rica	El Salvador	Guatemala	Nicaragua	LCR*
Adult literacy rate, 2000-2004 (age 15+), %	80.0	94.9	85.0 ¹	69.1	76.7	90.2
Primary completion rate, 2004, %	79.4	92.3	85.7	70.2	73.5	96.0
Net primary enrollment, 2004, %	90.6	88.3 ₂	92.3	93.0	87.9	95.3
Net secondary enrollment, 2004, %	36.1	40.8 ₂	48.1	34.0	40.7	65.5
Public Education Spending % GDP, 2004	7.3 ³	4.9	2.8	1.7 ⁴	3.1	4.3

*Latin America & Caribbean Region (LCR); ¹ Year 1990. ² Year 1995. ³ Central Gov. Expenditure in education. ⁴ Year 1995.

According to the Central America Education Strategy (CAESP), the results of the 1997 Latin American assessment show that Honduras under-performs vis-à-vis other countries in the region. The 2007 Multiple Purpose Permanent Household Survey (MPPHS) reports a national illiteracy rate of 17.5 percent (INE 2007). Data indicates that the illiteracy rate is higher among the rural population, at 25.9 percent. The coverage rate of children (5-18 years of age) is 59.1 percent out of 2.8 million children. The coverage rate in the population between sixteen and eighteen years of age, in contrast, is only 25.9 percent (INE 2007). The WB 2007 Public Expenditure Review (PER) identifies the most prominent quality and efficiency problems in the Honduran educational system including low teacher attendance, shortened class days, and high grade-repetition rates. Various options to correct these shortcomings have been proposed, including better enforcement of teacher attendance and performance, among others (World Bank 2007).

HONDURAN TEACHERS' UNION AND ITS USE OF STRIKES AS ITS POWER BASE

Teachers' unions play a vital role in education policy throughout Latin America. In some situations, their control goes beyond education policy to influencing presidential elections. In 2006, Felipe Calderón won a desperately close election for Mexico's presidency by a margin of barely 200,000 votes. While there were many factors behind his victory, according to an article published in *The Economist*, one that may have tipped the balance was the support of Elba Esther Gordillo, the head of the National Educational Workers' Union. Ms Gordillo is considered by many to be the most powerful woman in Mexico and perhaps the second most powerful politician in the country. Her political power comes mainly from the union's sheer size. With 1.4 million members teaching in primary and secondary schools, the National Educational Workers' Union is the largest labor union in Latin America (Economist 2007).

Although the teachers' union in Honduras is not as big as Mexico's, it is still politically strong. Honduras has about 47,139 teachers, but 66,632 teaching positions (Edwards 2006) because teachers can hold more than one job. They can have two or more teaching positions as well as administrative functions and they can hold more than one administrative position. This makes the Honduran teaching market very attractive. A labor market analysis indicates that Honduran teachers are better remunerated than similarly qualified counterparts outside the education sector (Liang 1999).

Teachers have become a political powerhouse within Honduran politics. As the group most easily organized for political action, they are important beneficiaries of distributional politics. Teachers represent about half of all government workers. The union pushes an agenda that defends their interests, sacrificing equality of educational opportunity. The 2007 Country Assistance Strategy (CAS) suggests that much of the school year is lost to teachers' work-stoppages, and the situation has deteriorated in recent years with primary schools receiving just eighty-nine days of lessons in 2005, in contrast to the mandated 200-day school year (World Bank 2006).

In August 2006, 61,000 elementary school teachers in Honduras carried out an eleven-day strike that canceled classes for over 2.5 million public school students. The strikers demanded that the government hire 4,500 new teachers in 2007 to begin addressing a national teacher shortage at the country's 10,000 public schools. News media in Honduras reported that the General Secretary of the Federation of Teachers Organizations (FOMH) denounced government inaction and said, "Strikes will continue if the government does not attend to our demands" (El Heraldito 2006).

In August 2007, other unions went on strike again with the teacher's union. Strikers took over major highways in the country and caused one death while costing the government more than 2,000 million lempiras (La Tribuna 2007). In September 2007, the union went back to the streets, which, according to the current Minister of Education Marlon Breve, cost the Government of Honduras more than 50 million lempiras per day as reported by the local media (La Tribuna 2007). The government tried both ignoring the teachers' union and confronting them with little success.

The fiscal challenges faced by the education sector are particularly severe. To satisfy a rapidly rising demand for education in Honduras, the educational wage bill will have to rise by approximately 41 percent in real terms over the next ten years (Edwards 2006). This, by itself, is already a significant challenge. However, the agreement reached with the teachers union (known as PASCE) in August 2006 to finalize the strike will boost the teacher wage bill by an additional 100 percent over that period. The rapid rise in their wage bill as a share of GDP puts enormous strain on the budget. The entire PASCE agreement should be reconsidered, given that public school teachers already were being well paid in comparison to similarly qualified persons working in other sectors of the economy.

According to the WB's CAESP, average teacher salaries are on a par with those of similar professions, or higher when factoring in hours worked and time off. Primary teachers earn substantially more than professionals with a similar level of education in Honduras. Hourly salaries are likely

to be even more favorable to teachers, when one takes into consideration the fact that teachers, on average, work fewer weeks per year than non-teachers (World Bank 2005). Teachers are incentivized to remain in the system to be able to retire with additional and significant seniority bonuses in the future; therefore, there appears to be little hope for reducing costs by increasing class size or through the early retirement of older teachers who earn significant seniority bonuses.

Table 2: Hourly salaries across teachers and professions with similar educational attainment in Honduras

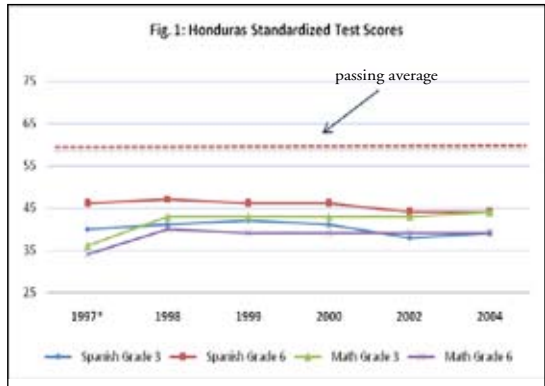
	Teachers		Public Employees	
	Primary	Secondary	w/ upper secondary	w/ tertiary university
Monthly income from main occupation (U.S. \$ Net)	2.2	2.3	1.7	3.0

Source: Household Survey. Central America Education Strategy Paper, (World Bank 2005).

John H.Y. Edwards, a prominent researcher of the Honduran education sector, provides the following recommendations: (i) the consolidation of schools in order to save on fixed costs; (ii) relying more on the private sector to accommodate some of the expected increase in secondary enrollment demand; (iii) publicizing teacher remuneration to correct the generalized impression that teachers are badly paid; (iv) re-examining qualifications for the teachers' education and other bonuses included under PASCE; and (v) insisting that the compensatory component not be extended to ineligible teachers, among other options. In Honduras, real salaries of primary teachers have substantially increased since 1997 while hours worked decreased over this period, leading to an even higher increase in hourly wages by 2002 (see Appendix II). A similar trend can be seen for private teachers. A possible interpretation of these trends is that salary increases led to a dominant income effect rather than a substitution effect: i.e., that the salary increases, through its positive impact on income, led teachers to work less instead of encouraging them to work more (World Bank 2005).

Teacher absenteeism is a persistent problem for the Honduran education system. The CAESP identifies two Central American studies that have

attempted to measure teachers' absences. One measures teacher satisfaction with the school and the results are generally non-significant to be able to come to concrete conclusions for teacher satisfaction. One noticeable exception being that, as could be predicted, teachers'



absences in Honduras have a negative impact on student achievement. The general lack of significant findings may be owed to measurement errors or to the fact that teacher absences or satisfaction with the school fail to adequately proxy for teacher effort and motivation. In Central America overall, no reliable national data are available, making it necessary to use information coming from small databases, self-reportings, and household surveys. In Honduras, 40 percent of teachers missed one month or more of school in 2000, according to the school census undertaken by the Ministry of Education. In a recent school survey by the External Unit of Education Quality Measurement (UMCE), few principals in Honduras (7 percent) considered high absenteeism to be a problem. Teachers in Honduras also report working seven hours less than their official work-week, even including out of classroom hours worked (30 of 37). Average weekly work hours are significantly overestimated in that they do not correct for teachers' absences. For example, assuming an average teacher absence of four weeks per year would lead to about 1,140 effective hours, which would translate to substantially fewer hours in terms of teaching (World Bank 2005).

Furthermore, according to the Country Assistance Evaluation (CAE) an evaluation of the WB's interventions in Honduras for the 1994-2005 period, the low quality of the Honduran educational system has been attributed in part to insufficient school attendance, poor learning environments and frequent teacher absences. According to the evaluation, there has been some improvement in coverage of basic education over the period from 1994 to 2005, but with no evident mitigation of the low quality, as reflected in low scores on standardized test (Figure 1). Data collected by the UMCE, the Honduran Ministry of Education, indicate that since 1997 standardized scores have slightly decreased in Spanish (from 40 to 39 in

the third grade; from 46 to 44 in the sixth grade) and shown small increase in Math (36 to 44 in third grade; 34 to 39 in sixth grade), with average scores in both subjects below the passing average. In an attempt to address teacher absenteeism and low teacher performance, the WB promoted a new model—linked closely to reform in neighboring countries—to strengthen oversight of teachers (World Bank 2006). The vehicle was PROHECO, a program to extend schools to more remote areas.

PROHECO'S IMPROVED OUTCOMES AS AN EDUCATION MODEL FOR HONDURAS

Honduras' community-based education program, *Proyecto Hondureño de Educación Comunitaria* (PROHECO) was launched in March 1999 with WB funding and the objective of enhancing access to education and fostering community participation in school-related decision-making (World Bank 2006c). The Ministry of Education studies carried out in 1997 showed that more than 14 percent of school-age children were not enrolled in schools, 85 percent of whom live in rural areas. Building on the experiences of El Salvador and Guatemala, the Honduran government decided to use a school-based management model to address these deficiencies and establish new pre-school and primary schools in remote rural villages. By the end of 1999, PROHECO schools existed in more than 500 communities (Di Gropello 2006). According to the Education Ministry's website, communities qualify for a PROHECO school if they meet the following criteria: (1) they are located in a rural area; (2) there are at least twenty-five pre-school and primary-school age children; (3) the nearest school is at least three kilometers away; and (4) the village is located in an area that was affected by hurricane Mitch.

PROHECO staffed schools in rural areas with oversight provided by local school boards; the hiring and firing of teachers was the responsibility of the school board, not the Ministry of Education. From its start in 1999 to September 2005, 2,136 PROHECO schools were established, providing primary education to 103,000 students – about 10 percent of total primary school enrollment (Di Gropello 2006). Results have been very satisfactory in these PROHECO schools in terms of education provision. PROHECO teachers teach more days than those in standard Ministry of Education schools, and educational outcomes are better than in standard schools — slightly so in Spanish, significantly so in Math and science — despite the fact that PROHECO schools draw on a poorer population. The WB also promoted greater local control through the *Local Development Associations* (ADEL) program, which promotes tripartite (parents,

teachers, students) oversight of standard schools. However, ADELs have been proving to be much less effective than the boards in PROHECO schools, as parents have much less control.

Even though the primary objective of the WB's strategy to improve the quality of education was not achieved overall, as suggested by a moderately unsatisfactory rating from the WB's Independent Evaluation Group (IEG), PROHECO proved to be a catalyst for the improvement of the educational system in Honduras. A study by Di Gropello points out that the evidence presented for Honduras suggests that autonomous schools have been successful in providing learning environments that are equal to or even better than, their public school counterparts. Although targeting poorer communities in the study, it reflected that the success was achieved in part by maximizing existing capacity (mainly by working more and limiting class size) to make up for the lack of teacher and parental capacity. The link between the differences in capacity utilization and student outcomes is encouraging, and provides *prima facie* support for community schooling on grounds of pure efficiency (Di Gropello 2006). This is especially true in Honduras, where PROHECO teachers are paid less and have fewer qualifications. According to the Honduras CAE, the WB played a primary role in expanding educational opportunities to remote and poor areas through its support of the PROHECO program, thereby increasing the reach of education, especially for the poor (World Bank 2006b). Finally, an analysis conducted by Di Gropello (2006) reveals that PROHECO schools are more insulated from labor problems as their teachers are not union members. During the last two years, PROHECO schools have remained open when others have been closed because of strikes. The school directory also confirms that PROHECO schools are closed less frequently. Time spent by the teachers' in negotiations during the strikes can be considered as time lost, thus reducing teaching time throughout the year.

POLICY RECOMMENDATIONS

Lack of progress in education has severely limited the economic opportunities of the poor and the economy's growth outlook (World Bank 2006c). The demographic composition of the region offers a window of opportunity to prepare a new and more productive labor force, and thus reduce poverty. Children and youth less than nineteen years of age comprise about half of the Honduran population (INE 2007). As this paper details, this population is highly exposed to risks such as insufficient schooling owed to teacher absenteeism and low performance, which cause irreversible lifelong human

capital deficiencies. However, as the 2007 World Development Report (WDR) suggests, improving the quality of primary education requires a renewed emphasis on basic literacy and numeracy combined with factors such as teachers who are well-prepared and motivated, and schools that are accountable for their students' learning (World Bank 2006d).

The reforms that have been implemented over the last decade may be broadly classified as being primarily aimed at expanding access (expanding supply). However, to tackle quality-hindering issues such as teacher absenteeism and low performance, policies and reforms that are primarily aimed at improving quality, efficiency, and sustainability need to be established. Such reforms include decentralization, community performance management (performance-based bonuses), and vouchers. These reforms would in turn create a new market-oriented environment for the provision of education, including measures to foster public-private approaches. For these reforms to be successful, it is crucial to empower citizens and communities, providers, and policymakers with the proper informational tools to improve the delivery of quality education. The outlined recommendations are believed to have the best prospect of working, considering past experiences of other countries in the region.

DECENTRALIZATION OF THE HONDURAN EDUCATIONAL SYSTEM TO FOSTER EFFICIENCY

According to Tiongson (2005), management and institutional reforms such as decentralization programs are designed to improve efficiency, accountability, and responsiveness in education service provision. In spite of the PROHECO schools' success and their growing importance, the overall state of affairs in Honduras' education system is described as follows in the WB's 2004 Poverty Reduction Support Credit (PRSC) document: "At present, overly centralized management of the education system has led to poor accountability, high teacher absenteeism and an inadequate teaching and learning process in the schools" (World Bank 2004). Decentralization reforms are meant to encourage local participation and ultimately improve coverage and quality. In the Honduran case, this would address the education sector's inability to efficiently and adequately respond to local needs.

Theoretically, decentralization reforms have a positive influence on the efficiency and effectiveness of education service delivery, largely because decentralization (a) enables the service provider (in this case, the school) to make use of information about local preferences, and (b) increases opportunities for the service receiver (in this case, the community) to hold

the service provider accountable, which in turn can improve teaching and learning. Lessons can be taken from the neighboring program in El Salvador —Programa de Educación de la Comunidad (EDUCO), which grew out of the country's civil war, during which rural communities that found themselves cut off from services and ran their own local schools. After the war, the government expanded the program, recognizing its success in effectively reaching areas the government could not reach.

Through the EDUCO program, the government provides block grants to community associations for managing schools. An early evaluation of EDUCO found lower student absenteeism as a result of a reduction in teacher absences. According to Vegas and Petrow (2007), the authors of the study assessing EDUCO speculated that this reduction might eventually improve achievement. Indeed, a more recent study shows that their instincts were correct. After controlling for background factors such as the fact that EDUCO students tend to be poorer, it found that EDUCO students performed better in Spanish, and at least as well in Math and Science, compared to students at traditional schools.

Overall, the community-based school management programs implemented in Central America have been aimed at increasing enrollment, strengthening community participation, and improving efficiency. A less frequently cited objective has been the improvement of education quality through increased responsiveness to local needs and interests (Di Gropello 2006). Hence, the greatest focus should be on a decentralized delivery of quality education services. According to Edwards (2006), this will require restructuring the teacher employment regime (*estatuto*) to achieve greater accountability for performance. It is also crucial to establish a sustainable sector pay policy where a reliable teacher payment mechanism is in place to avoid late teacher payments from the central government.

Through decentralization, central government can transfer administrative tasks (deconcentration) or implement a full transfer of authority from central to local units (devolution). These involve transfers of responsibility from the central government to sub-national governments or transfers of responsibility from central units to communities and schools. Re-distributing power and authority through budgets, decision-making powers and rights will give the communities more power and autonomy. This in turn will limit the teachers' union's manipulative power and teacher absenteeism through more accountability at the local level, and at the same time, avoid any delays in the payment system. In practice, cross-country evidence shows that greater school autonomy over personnel management and process decisions like the hiring of teachers, textbook choice, and budget allocations

within schools appears to be correlated with better student performance. In a regional Latin American study Vegas and Petrow (2007) reflect on a study of Nicaragua's autonomous school reform and provide evidence that greater school autonomy over teacher staffing and the monitoring and evaluation of teachers may raise student performance. The same study also found that the autonomy of primary schools in Argentina is associated with better student performance.

INCENTIVES FOR IMPROVED TEACHER OUTCOMES- PERFORMANCE MANAGEMENT

Accountability has become a major issue in the education sector worldwide. Teachers need to be more accountable for the quality of education they are providing. Without teachers who are motivated and well-prepared, reforms to improve the quality and relevance of curricula are unlikely to be successful. A good mechanism to promote higher quality education and accountability is to use performance-based bonuses, implemented through the "scorecard" system in community schools. An example of such an initiative is the recent agreement (October 2007) made by the Bloomberg administration and the New York City teachers' union in the United States. The plan consists of providing teachers with bonuses based largely on the overall test scores of students in areas that have high concentrations of poor children. Similar to the teachers' union situation in Honduras, a merit pay program, which bases compensation for teachers on their classroom performance rather than their seniority and academic degrees, have traditionally been opposed by teachers' unions in the United States (Gootman 2007). However, the city managed to secure a way to reward high-needs schools for performance by brokering such a deal with the United Federation of Teachers—as Mr. Bloomberg called it a, "historic and unique agreement." Pleased with the plan, mayor Bloomberg stated:

"In the private sector, cash incentives are proven motivators for producing results. The most successful employees work harder, and everyone else tries to figure out how they can improve as well. Because the bonuses will be available only to teachers at needy schools, we hope they will provide our best teachers an incentive to work in high-needs schools." (Gootman 2007).

The 2007 World Development Report (WDR) suggests that if incentives are well designed and implemented, they can motivate teachers and make them accountable for performance. In Chile, for example, average teacher salaries more than doubled in the 1990s, and the quality of stu-

dents entering teaching programs increased, suggesting that the level of teacher salaries matters (World Bank 2006d). In another case, Vegas and Umanski (2005) identify a recent evaluation of a performance-based pay bonus for teachers in Israel which concluded that the incentive led to increases in student achievement, primarily through changes in teaching methods, after-school teaching, and teachers' increased responsiveness to students' needs.

Implementing a performance monitoring mechanism jointly with the decentralization process in which communities hold the service provider accountable will directly address the teacher's absenteeism and low performance. Incentives will be provided to reward good performance, but non-performers will be held accountable; local communities will have the authority to penalize or dismiss them. However, in order for such a framework to be successful, the central government through the Ministry of Education (MOE) should focus more on providing teachers with the necessary skills and tools to improve teachers' delivery methods. By decentralizing the system, the MOE can be strengthened to provide improved teacher training and become more of an oversight entity to assess and promote the quality of education by evaluations such as standardized tests assessed by UMCE.

Nonetheless, in order to produce better results by implementing a decentralization process jointly with a performance management framework, improved data collection systems and proper use of information need to be set in place at every level, from central government to local. To hold service providers accountable, local communities need to be better informed about the level and quality of the services to which they are entitled and the level and quality of the services they actually obtain (Tiongson 2005).

The most important factor for the success of a decentralization process in the education sector in Honduras is to provide easily accessible information to people so that they can choose the best option for themselves and their community. A "scorecard" system in community schools would disseminate the proper information about the quality of education available and received. Although many developing countries now collect national data on student achievement, the information is rarely made public or used to hold teachers and schools accountable for performance through social accountability, accreditation, funding allocation, or performance-based pay (Tiongson 2005).

Vegas and Petrow (2007) identify examples in Chile and Uruguay of two different approaches to standardized assessments. Basic education students in Chile have been assessed regularly since 1988. Student as-

assessment information is publicized with the goal of informing parents of the quality of public and private schools. Since 1980, Chile has provided a nationwide per-student subsidy, which channels resources to schools based on student attendance. Information on school quality is provided regularly to parents in order to inform their school choices. Mean test scores at the school level have been made public since 1988 and schools are often ranked based on their mean test scores.

In the case of Uruguay, basic-education students have been assessed every three years since 1996. Detailed information on the performance of each classroom and school, in both absolute terms and relative to similar schools, is provided to teachers and principals in booklets which also include information on plans of how to improve performance in areas in which test scores are low. School-level information is not made public, although nationwide trends are published. In contrast to Chile, assessment information is collected and analyzed with the goal of informing education providers so that they can improve their teaching practices.

VOUCHERS/PUBLIC-PRIVATE PARTNERSHIPS TO PROMOTE COMPETITIVENESS

Financing schemes may include mechanisms on the demand side, where funds are channeled directly toward people who demand education rather than people who supply it to strengthen the client's power over providers (Tiongson 2005). Demand-side financing schemes may involve transfers to households, vouchers, or payments given directly to students, who may submit them to the schools of their choice. School vouchers are publicly provided for students to enroll in the school of their choice. Beyond the potential effect of vouchers on their beneficiaries, vouchers can increase competition among schools, and thus increase the quality of the system. Vouchers are also designed to allow students access to higher quality private education.

Table 3: Primary Education School System in HND, 2004

1	PROHECO	4.7
2	Educatorodos	2.4
3	Pralebah	1.5
4	Public Schools	83.5
5	EIB Public Schools	0.5
6	Private School	4.1
7	Private Bilingual Schools	2.1
8	By radio	0.7
9	Distance Education	0.1
10	None	0.0
11	DK/NA	0.4
Total		100.0

Source: WB's 2006 Honduras Poverty Assessment based on data from 2004 Living Standards Measurement Survey (LSMS).

According to the 2006 WB Poverty Assessment (Table 3), the immense majority of all primary level students go to public schools; 8.6 percent take part in special programs such as PROHECO, Pralebah and Educatodos; and 6.2 percent opt to study at private schools. The main reason given for children not attending primary school, as stated in the Living Standards Measurement Survey, is economic difficulties (INE 2007). Distance to schools is another factor cited by 7.2 percent of parents of children not attending school and living in extreme poverty. This rationale was not mentioned in the case of non-poor parents (World Bank 2006). If the voucher scheme is restricted to poor households, the effects may be more positive.

Colombia's voucher program, for example, offered vouchers to poor individuals to attend private schools and had a positive impact on learning, which, according to the 2007 WDR, persisted over the long run (World Bank 2006). In the Colombian voucher program lotteries were used to distribute vouchers. Three years later, lottery winners were more likely to be attending private schools, completing the eighth grade, and scoring higher on standardized tests. As Tiongson (2005) suggests, public schools – facing greater competition from their private counterparts – would be motivated to make efforts to reduce costs and enhance quality. Some public schools, however, could see this competition more likely as a threat owed to current poor management capacities since they would be unable to reduce costs and enhance quality at the same time to be competitive.

Therefore, a good alternative for this issue, to further enhance quality education by promoting a market-oriented competition, would be to create public-private partnerships in schools where the lack of these management capacities are more prominent. The goal would be to create a demand-driven market, in which a private market produces the service that the government pays for, based on the client's satisfaction in increased educational quality. Rural schools, for example, tend to have fewer qualified teachers. They may not have the same ability as their urban counterparts to quickly accommodate sudden surges in enrollment. A good alternative for rural schools would be public-private partnerships which, according to the 2007 WDR, can expand and improve post-primary education (World Bank 2006d). In addition to alleviating fiscal constraints, they improve learning outcomes and efficiency by increasing choice and competition. For that competition to work, public institutions need sufficient autonomy and resources to manage for results (outcomes and not inputs), and private institutions need to be accountable for meeting well-defined quality standards (Tiongson 2005).

Contracting with schools to enroll publicly funded students has also rapidly expanded access to education while avoiding large public capital costs (World Bank 2006d). The lease arrangements would have to be focused on performance-based targets in order to have continuity with the lease, thus holding the contractor accountable based on delivery of quality education. A good model, according to the WDR, is Colombia's *Colegios en Concesión* which turns over the management of some public schools to private institutions through a competitive bidding process. Concession schools are paid less per student than regular public schools, must accept all students, and must meet outcome targets for test scores and dropout rates. Dropout rates have been lower in concession schools, and the competition has also reduced dropout rates in nearby public schools (World Bank 2006d).

CONCLUSION

The 2004 World Development Report states that additional public spending on education will not improve learning, unless motivated providers can take the required actions (World Bank 2003). As mentioned in this paper, Honduras' spending on education has not resulted in superior educational outcomes. One of Honduras' main problems is that teacher unions are not performance or results oriented. Improving the quality of primary education requires a renewed emphasis on teachers who are well prepared and motivated, and schools that are accountable for student learning. Similarly, central government through the Ministry of Education would need to increase efforts for teacher preparation focusing on results attainment by providing them with the necessary and proper educational capacities. The reforms entailed in this paper are empowered by transparency that comes with more public information thus increasing checks and balances between citizens and communities, and policymakers in the Honduran education sector.

Reforms designed to change the financing of education may boost enrollment among the poor by easing some of the financing constraints on the beneficiaries and improving access to higher quality schools, thus enhancing the quality of schooling through a competitive demand-oriented market. Similarly, because teachers respond to incentives, education policymakers can improve the quality of teaching and learning by designing effective incentives that will attract, retain, and motivate highly qualified teachers (Vegas and Umansky 2005). In the case for decentralization, frontline providers—school principals and teachers—should be given enough autonomy and resources to manage for results and be made ac-

countable for them. Communities have proved, through programs such as PROHECO, that their involvement promotes accountability at the local level. In the case of vouchers and public-private partnerships, private schools may provide a partial alternative to public sector expansion and an increase in the quality of education.

It is important that the Honduran government focuses in providing necessary tools and information to increase access to, and use of, available services in education with increased quality as a priority. To influence the quality of educational services, the Honduran government should be more proactive by supporting efforts to generate accountability and “bottom up” citizen engagement.

APPENDICES

Appendix I: Honduras Central Government & Education Sector Expenditures					
(% of total expenditures)	2002	2003	2004	2005	2006
Total Expenditures*	26,907.1	30,681.1	36,029.6	38,956.3	41,761.0
Central Government Salaries & Wages	39.9%	37.7%	34.8%	35.2%	37.2%
Education Budget Allocation (executed)	n.a.	27.8%	26.9%	28.3%	30.0%
Education Sector Salaries & Wages (% of total Central Gov. Expend.)	n.a.	21.8%	20.7%	21.3%	n.a.
Education Sector Salaries & Wages (% of total Education Expend.)	n.a.	78.2%	77.3%	75.3%	n.a.

Source: Ministry of Finance (SEFIN - Informe de Liquidacion Presupuestaria 2003-2006).

*Millions of Lps.

Appendix II: Honduras - Evolution of real salaries for public and private primary teachers

	Monthly nominal salary		Monthly real salaries (in 1990 lps.)		Hrs. worked / wk.		Hourly salary	
	public	private	public	private	public	private	public	private
1995	1,670.1	1,234.8	590.33	436.47	34.10	32.40	4.33	3.37
1996	2,115.8	1,410.9	606.45	404.40	33.00	34.60	4.59	2.92
1997	2,113.3	1,905.0	517.30	466.31	36.30	33.90	3.56	3.44
1998	2,543.8	2,521.2	548.29	543.42	34.80	34.00	3.94	4.00
1999	3,216.6	2,784.4	627.62	543.29	35.30	37.50	4.44	3.62
2001	4,497.1	3,859.5	718.40	616.55	33.40	32.00	5.38	4.81
2002	4,848.5	4,020.9	718.27	599.37	31.50	30.90	5.70	4.85

Source: EPHM several years. Notes: 1 Lempira=0.06 U.S.\$, Central America Education Strategy Paper, (World Bank 2005).

NOTES

- ¹ The measurement with this technique consists in establishing their income's purchasing power parity of goods and services, a basket of alimentary and non-alimentary needs considered as staples (INE 2007).
- ² Coverage Rate: Total children attending an educational center (according to level & age)/total children (age group). (INE, 2007).
- ³ Those with jobs labeled as "Maestro/s" or "Profesor/a."
- ⁴ Approximately U.S.\$105.0 million.
- ⁵ Approximately U.S.\$2.6 million.
- ⁶ As salary generally varies according to academic qualifications, we control for different educational attainment records by comparing teacher salaries with the salaries of professionals with similar educational attainment levels. The information comes from household surveys and, therefore, is again purely illustrative.

- ⁷This data should not be interpreted too literally as it may be subject to measurement error. For instance, all the surveys collect self-reported estimates of number of absences and often corroborate this data with the schools' registers. Nonetheless, it is very likely that only excused absences are declared or reported, which most likely underestimates actual teachers' absences. Additionally, we generally do not have comparable indicators across countries as we had for other variables.
- ⁸To be noted that data on teacher attendance in a small rural sample (N=132) provide a somewhat more positive evidence with, on average, about 16 days of teacher absences per year.
- ⁹Unidad Externa de Medición de la Calidad de la Educación, UMCE.
- ¹⁰Includes not only weekly hours teaching, but also preparing classes, meeting with parents, undertaking administrative tasks, grading, etc.
- ¹¹Using the school survey figure of 30 hours per week (slightly lower than the figure of 31.3 reported in the household survey).
- ¹²This Country Assistance Evaluation (CAE) provides an independent assessment of World Bank assistance to Honduras during the period FY95-05. The CAE examines whether: (i) the objectives of Bank assistance were relevant; (ii) the Bank's assistance program was effectively designed and consistent with its objectives; and (iii) the Bank's program achieved its objectives and had a substantial impact on the country's development during this period. Examining these questions allows the CAE to draw lessons and recommendations for future Bank assistance.
- ¹³A World Bank funded single-tranche Poverty Reduction Support Credit (PRSC) to the Republic of Honduras for SDR 40.5 million, which includes an original amount of SDR 38.6 million (U.S.\$56 million equivalent) and a supplemental credit in the amount of SDR 1.94 million (U.S.\$2.8 million equivalent) to support the implementation and consultation process of the Country's Poverty Reduction Strategy.
- ¹⁴We can define efficiency in two different ways, as technical (productive) efficiency or social (allocative) efficiency. Technical efficiency is about producing a higher output for similar costs or the same output for lower costs; social efficiency is about choices that reflect more closely consumers' preferences.
- ¹⁵Effectiveness (although not necessarily a very precise concept) is more about impact on outputs and outcomes, such as the coverage of the services, their quality (measured for instance by learning achievement), their impact on poverty reduction and social development, the equity of delivery, etc.

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