Community financing is becoming increasingly important in countries where the central government is not able to meet the demand for education. It may also stem from a desire for alternative forms of education. In both cases the communities may be better suited than the central government to provide the resources needed for the delivery of education, either in community- or government-operated schools. The resources provided may be in the form of cash contributions, materials, labor and/or land.

**Strategies for Mobilizing Resources**

In order to collect money for community financing projects it is important to consider that collecting money for capital works is usually much different than collecting money for recurrent needs. Some ways that money can be collected for the different expenditures are listed as follows:

**Capital Works**
- Focused activities such as launching ceremonies and rallies.
- Fetes, carnivals, cultural shows, harvest festivals, raffles and sponsored walks
- Levies for each household

**Recurrent Needs**
- Some schools are beginning to charge fees in order to raise money for recurrent needs.
- Levies on each household are also used to collect funds.
- In the case of religious schools, it is possible to have collections.
- It is possible to make use of cash-crop cooperatives in which voluntary levies are paid for the licenses issued to merchants who are members of communal associations.

In order to encourage and support community financing the government must provide incentives, guidance and controls to the local communities.

**Incentives** include:
- Assurance of long-term operation – The government assures the community that it will be allowed to continue delivering education even when the government is able to do so.
- Promise of government takeover – The government promises to assume responsibility and control of education as soon as it is capable.
- Personnel and materials – The government can agree to provide the staff and materials needed for the schools if the community will donate the land and construct the facilities.
- Matching grants – The government can guarantee to provide matching grants for community financing programs. Ratios can be varied according to the wealth of the community and the resources available, and decisions can be made whether to count labor, materials and land into the formula.
- Taxation incentives – Schools not aiming to make profits can be exempted from taxation.

Forms of **guidance** include:
- Technical and professional information – Assistance with building and operating schools, as well as with the development of curricula design, pedagogy and academic standards.
- Accounting and budgeting – Support for developing good accounting practices and systems.
- Basic organization and management – Help creating strategies for running meetings, building consensus, meeting deadlines and dealing with conflict.

The **controls** that may be used include:
- Registration of schools and managers
- Centrally determined teacher recruitment, qualifications and salaries
- Required enrollment of marginal groups
• Specific curriculum requirements
• Building design specifications
• Determination of minimum school size
• Designation of maximum fees

**Challenges and Risks of Community Financing**

**Policy Issues**
There are typically five types of political situations in which community financing takes place:

1) Weak states where government inputs are lacking because economic crisis combines with general disorder (Chad, Togo, Uganda)
2) Weak states in which the government cannot provide the resources for schools so they have to look to other ways to finance them such as privatization and fees in public schools.
3) Fairly strong states in which the military dominates the government (Indonesia).
4) Strong states in which the government has resources, authority and a strong self-image and encourages community financing because it recognizes that it helps generate interest and commitment to education (Singapore).
5) Situations in which the government begins to reduce community involvement as the state gets stronger and is more capable of taking on the responsibility of financing (India).

Finding the right distribution of authority and accountability within the government hierarchy is a challenge because although the majority of detailed decisions on incentives, guidance and controls can only be made at the local level, national governments may be reluctant to delegate strong decision-making power to local officers. Another problem that can arise is tension between civil servants and the government, who are often wary about each other’s intentions and job performance. In the same way, rival political groups can destroy each other’s efforts by undermining the work each is attempting to do.

**Equity Issues**
With regard to equity issues, it is important to answer the question of what effects the different incentives and controls will have not only on the particular communities but on other groups as well. As has been seen, the tendency is for regional and other disparities to increase with decentralization. Community financing may raise major issues of equity in education due to cultural variations, ethnic rivalries, racial inequalities, urban/rural disparities and socioeconomic differences. Consequently, any plan of community financing must take these issues into account and have specific strategies outlined for resolving any problems.

**Planning and Resource Use**
Another issue that arises with community financing is that self-help schemes often lead to misdirection or misallocation of resources. To address this issue, planners should lay out a clear plan for resource use and have monitoring and evaluation mechanisms in place.

Finally, it is important to keep in mind that success in small projects can’t always be multiplied in large ones. Indeed, large-scale operation tends to discriminate against smaller communities, thus exacerbating the problems already in existence. With that in mind, Narayan (1995) outlines **ten steps that can be followed for designing large-scale community-based projects**.

1) Clarify, simplify and set priorities for objectives; link them to outputs
2) Identify major social actors, capacity and interests at community and agency levels
3) Assess demand
4) Craft a self-selection process for sub-projects, groups or communities
5) Structure subsidies that do not violate demand
6) Restructure fund release to support demand
7) Plan for learning and for several models
8) Invest in outreach and social organization
9) Institute participatory monitoring, evaluation and feedback
10) Redefine procurement rules to support community-level procurement where possible

One must remember that much of the appeal of community financing lies in its ability to relieve governments of the financial burden of education provision. Unfortunately, enthusiasm for community financing isn’t always accompanied by willingness to lose control of the education system, thus hindering the possibility for success.