INSTITUTE FOR DEVELOPMENT AND SOCIAL INITIATIVES (IDIS) 'VIITORUL'

POLICY BRIEF

MOLDOVA DECENTRALISATION OF THE EDUCATION REFORM AND SPENDING FOR EDUCATION

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Research Design and Implementation Report

The aim of the SPENDING FOR EDUCATION IN R.MOLDOVA is to assess the current statute of the financing of pre-university education, highlight the main setbacks of the system and track relevant indicators to the educational services provided to the population. This study emerged from in partnership with the Brookings Institution.

The Study combines several kinds of data: official statistics provided by the National Bureau of Statistics, regular monitoring indicators of the Ministry of Education, as well as data collected from the schools of Moldova, through a comprehensive Survey, implemented during the months of February – April 2008. The analysis considers in great details the institutional dynamics of the pre-university education in the last decade, in correlation with the overall demographic and social-economic trends of the country.

Budgetary spending for the pre-university schools reflect a growing concern for the effective use of resources from the public budget on education in Moldova. Beyound the obvious demand to accelerate the reformation of the current system of public education, which implies an overwhelming agenda of decentralization, territorial relocation, rationalization, privatization and other policies that shall improve the current way of spending for compulsory education in Moldova, we aimed to provide specific policy recommendations how to improve the functioning of the system.

Following a detailed Work Plan, the research undertaken in Moldova consisted of three main components:

- Data collection through a representative survey implemented in 30 schools, selected on the basis of: geographic location, size, type of institution (primary, gymnasia, lyceum).
- Organisation of 3 focus groups and 60 in-depth interviews with the aim to complete collection of relevant indicators and policy assessments.
- Desk research complemented then the format of this project, with considerable statistical, budgetary, management data, collected from governmental and international sources, statistical offices.

Survey was implemented in 30 schools, in which the project staff had interviewed public managers, accountants, directors, collecting relevant statistics, and then analyzing qualitative assessments made by the key-informants. See attached the Sample of the selected group of schools. This allowed us to collect and interpret key-sources of information on education: financial flows, outputs, accountability arrangements, etc.

In August 2008, IDIS Viitorul undertook a detailed presentation of the results to the Ministry of Education top-officials, with the aim to disseminate study results, as well as concrete policy model of reformation, as proposed by IDIS Viitorul. A special public event - organized in the format of a policy talk - and two working meetings with representatives of financing departments, mayors' associations, and parents' associations – will follow soon during September – October 2008. We expect that the feedbacks from the practicioners, and policy makers will create a rather useful interface with the main stakeholders, interested in the radical changes of the spending for education system in Moldova.

Very special contributions have been made from the parental associations, Ministry of Education, other stakeholders working in the field of education support, training and policy research. The main findings, conclusions and a set of specific proposals are presented at the end of this research. Data collected from the quantitative and qualitative sources from the specific schools in Moldova allows ust to propose a conceptual framework to decentralize educational services on the basis of effective use of resources, independent management at the school level, and benchmarks creation in the management of school budgets.

Executive summary

High quality and accessible education is an indispensable element for the promotion of human development and economic growth of a nation by improving the innovation and adaptation capacity of individuals, and by increasing the quality of the human capital, labor productivity in a challenging and competitive environment.

There is little doubt that consistent education can promote even a relatively young nation to the highest top-scores in terms of economic, social and cultural performances. By investing in education, countries can gain strategic leverages in addressing its main vulnerabilities, while converting its economy into dynamic leverage that assist an educated labor force to express itself.

Better educated people are better paid. Higher educational scores is becoming a key to succeed in ensuring better incomes, while securing comparatively better conditions for living and education to children, therefore, education seems logically to be the best possible investment.

Modern economies relies thereof less on natural resources and more on excellent labor capabilities, well trained and better targeted employees, which thus requires almost revolutionary steps to adjust the existing systems of education: starting with the secondary compulsory education, following with lyceal and university curricula, and ending with permanent non-formal education for adult population. The concepts of human capital, competition and progress are closely connected and interlinked with educational policy of the state. Such a positive relation between education records, individual and national prosperity provides a good ground for research, for innovation and policy options.

Decentralization of the education system is one of the crucial issues of the education system reform in every country of the world. There are many patterns, lots of approaches, and schools, suggesting how to assist central governments in reforming this critical field of public education. Nevertheless, the reforms are painful, and often mislead by wrong mismanaged policies, lack of political will and capacities to implement strategic decisions then paying lip services to the most ambitious scope of reforms. The comparative analysis of results of evaluating the efficiency and transparency of the budgetary process in Moldova with other countries including in accordance with the requirements of the IMF, OECD, WB and International Budgetary Project (IBP) will allow to identify the main factors decreasing the effectiveness of the control over budgetary expenditures in the Republic of Moldova and limitation in participation of citizens in its planning and implementation.

The inevitable reduction of the number of pupils and classes will cause the reduction of the number of teaching staff and optimization of resources. It will be important to revise the policy of initial training and employment of teachers, programs of education and maintenance of sound instruments to levy the quality of education. Decentralistiaon of the educational system imply a revolutionary chain of changes in the salary, recruitment, and performance of functions by the teaching personnel, but it will deal also with an overarching task to accommodate the beneficiaries, schools and local governments to the new responsibilities. Institutional certification and control of the quality of the education at all levels of performance will be needed.

The main hypothesis of the study is that lack of clear-cut policy on education spending does not encourage quality of the educational process, creates vicious circles of under-funding; distort considerable amounts of resources from the most appropriate fields, while conserving old-fashioned poor standards in the school management. In Moldova, the current organization of schools at the national level still follows the organization of schools that existed in the previous USSR regime, despite the considerable changes in the education programs, curriculum adjustment, and even changes of the education system (from 10 classes of the general school to gymnasia and lyceum education).

So if, the primary and lyceal education moved forward, Moldova joined the Bologna Process in reforming its system education, little happened however at the level of structure of spending for education. As a result, Moldova had to explore a slow and difficult conversion of the existing network of schools into the model of European education, admitting that it has no resources to respond to this, nor the political will to radically change the institutions in which the reform occurs.

The research explores the transformation of public expenditure into public goods, using public expenditure tracking surveys (PETS). The PETS typically collects information on facility characteristics, financial flows, outputs, accountability arrangements, etc. The PETS data can have multiple uses, ranging from a simple diagnostic tool for operations to empirical research on capture, and cost-efficiency. In this regard, the public expenditure tracking system (PETS) will be used as well as methods of focus-groups and series of in-depth interviews with competent representatives will be organized to track financial flows allotted for education in the Republic of Moldova. The key analytical question to be verified is the hypothesis that insufficient transparency and openness of the budgetary process attracts inefficient allotment of public funds, decreases the quality of central administration and as a result, only partial respect for citizens' rights and inefficient budgetary expenditures.

Data collected in 30 Moldovan schools are supposed to answer the following questions: are better-informed school managers able to more effectively use public finances and optimize the educational process? Would a better understanding of the educational spending influence the policy of school governance? To what extent a decentralized system of education spending will improve education standards, as well as positive cooperation with respective local governments?

Authors of the study

Dr Igor Munteanu has over 10 years of experience in providing assistance to the local government in Moldova, doing research and providing training on administration and civil service reform. Acting as Executive Director of the IDIS Viitorul, he succeeded to create and manage a rather dynamic think tank in a difficult environment. He is highly recognized in various areas of public sector reform, policy planning, institutional management and SME development. He regularly reports on issues related to the European neigbhourhood policy (ENP), foreign policy, and political developments in the post-communist world. Since 2001, he acts as an independent Expert of the Congress of Local and Regional Authorities of the Council of Europe. Mr. Munteanu has experience in project design, implementation, and management, research and analysis, program evaluation, and policy and institutional analysis.

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Introduction

1. The Republic of Moldova is situated in South-Eastern Europe and the total population – excluding Trans-Dniester – is about 3.4 million inhabitants (January 2006)[1]. It is one of the most densely populated European countries, consisting from a large ethnic group of Moldovans (76,1%), as well as of Ukrainians and Russians (8,4% and 5,8%), and smaller national minorities, such as: Gagauz (4,4%) and Bulgarians (1,9%). The last census conducted in 1989 during the time of the USSR registered a population of about 4.3 mln.

2. Total surface of land resources is 3,38 mln ha, of which 1,95 mln ha are farming lands. Administratively, Moldova is made up of 1,679 communities, including 5 municipalities (Chisinau, Balti, Tighhina, Comrat and Tiraspol, 60 cities, 917 residence villages and 658 settlements within communes. A prolonged economic recession throughout the 1990, following the break up of the USSR, and secession of its most industrialized part of territories (Trasdniestria), helped turn Moldova into the poorest country in Europe. Nearly 70% of the population was considered poor in Moldova in 1999, and more than 60% lived in extreme poverty. Although rapid economic growth between 1999 and 2003 reduced poverty by about 37%, it did not altered it across the country-side[2], where almost 70% of the poor reside, in particular at the village level and small towns.

3. With two thirds of its population in rural areas and chiefly dependent on agriculture, Moldova relies heavily on its agriculture, which is still the main sector of employment[3]. Nevertheless, studies show that almost one quarter of the economically active population of Moldova works abroad: migrants's number grew from 100.000 in 1999 to over 600,000 in 2007[4], while high rate of remittances supply discourage exports and harness human capital. Moldova is stated to be the first in Europe in terms of remittances's share in GDP (1/3), while IOM surveys show that 40% of the population lives in households that receive remittances. Most of the remittances are used to fund basic household consumption, consumer durables, purchase of housing and debt repayment, with only 7% being used to finance some business, and 5% to be saved in bank accounts[5].

4. Inflation in 2008 reached a level of 13.1% and though it is in a slight decline comparatively with 2006 (14.1%) the figure is still much higher than the one expected at the beginning of the year and the Government still needs to apply efforts in order to assure one-digit inflation in 2008. Agriculture and industry, however, were not able to resist the negative factors above and were in decline (industry – minus 2.7% and agriculture - in nine months of 2007 constituting only 79.1% comparatively to the same period of 2006). At the same time in eleven months of 2007 import reached a level of 3.2$ billion (almost 80% of GDP) and trade deficit a level of 2$ bln, which means that economy is more and more dependent on import and that there are serious internal competitiveness problems.

5. Moldovan exports are affected by the vulnerabilities of its agriculture. In 2007 severe draught has affected national agriculture. Accordingly in 2006 and 2007 GDP growth felt to 4% on yearly basis demonstrating a remarkable resistance in view of external shocks. In 2008 economic growth is expected to be at much more impressive level 6-8% according to different estimates (GoM, WB, IMF, etc.) owing to a variety of positive external factors – autonomous trade preferences with EU, lift of ban for Moldovan wine import in Russia, economic growth in major trading partners, possible continuation of foreign investment boom of 2007, etc. At the same time a major challenge for 2008 would probably be raising gas tariffs for population. In spite of the economic growth in recent years, the overall employment rate remarkably decreased from 55% in 2000 to 45% in 2005 and the overall number of jobs decreased substantially, especially in the agricultural and construction sectors and affecting mainly women.

1 Transnistria is a breakaway region, with 550.000 inhabitants, which separated itself from the rest of the country as a result of the 1992 military conflict, heavily supported by Russian Federation troops. As a non-recognized entity it survives mainly on the Russian financial aid and gas subsidies; its statute is currently negotiated in a format of international mediators (5 + 2). Since 2006, European Union and US became more actively involved in the negotiations process.
2 FAO/WFP Cros and Food Supply Assessment Mission to Moldova, 25 September 2007, ftp.fao.org/docrep/fao/010/ah871e
3 UNDP, World Food Programme, Household Food Security Survey of the Rural Moldova, February 2008, p.10-12
4 National Bureau of Statistics, Labour Force Survey, 2004, IOM 2007
5 IOM 'Migration and Remittances Survey 2006', www.iom.md/migration&development.html

6. Interesting is that for the same reference period the number of registered unemployed decreased and that the unemployment rate remains around 7 % or close to the EU-15 levels. Youth unemployment increased however and is reaching the alarming level of almost 20 % whereas long term unemployment remains significant. Monetary poverty remains wide-spread in Moldova. Although the poverty rate significantly reduced from 67,8 % in 2000 to 26,5% in 2004, 2005 noted again a raise with poverty incidence of 29 % and further till 30.2 % in 2006 . More than 21 % of the rural inhabitants lived in food poverty in 2004. Inhabitants of small towns and villages remain at high risk of poverty.

7. Demographic decline has severely impacted Moldova during its transition after 1991. The average age of the country's population increased from 33.4 years in 2000 up to 35,6 years in 2007, putting thus Moldova in the group of countries with 'adult' population[6]. The decrease in the birth rate resulted in a reduction of the number of young people in absolute and relative terms. Compared to 2000, in 2007 there was a decline from 23,8% down to 17,2% in the share of 0-14 years-old population, with the share of people over 65 years going from 9,4% up to 10.3%. The number of school-age children is expected to fall, accordingly by 9 percent in the case of 3-6 year olds, 24% for 7-15 year olds and 18% for 16-18 year olds – and the number of 19-24 year olds is expected to rise by only 6%.

8. Education is of key-relevance for a nation to acquire a value in itself, to explore the huge human potential it believes it may have. The effective use of public spending, transparency and predictability of the budgetary process will become thus increasingly important in Moldova for the establishment of democratic and market institutions. The reform of the educational system will remain a priority to every government that wants to perform, and find out incentives for progress and change. Almost every strategy paper or governmental program adopted in the last decade of transition aimed to reform, to rationalize and modernize the existing system of public/private education, according to criteria of efficiency, accessibility and quality of primary education.

9. There is enough attention paid at the international level to the problem of ensuring effective public spending as a whole and in education, in particular. Existent documents establish international benchmarks in accordance with the principles of administrating public finances. The significance of these recommendations consists in their universality making them desirable for implementation in countries with various budget systems and population income level. However, issues of fiscal decentralization, distribution and execution of budgetary competences and accountability towards citizens are treated in wide approaches and with insufficient attention. Additionally, the guarantee of a real control on budgetary expenditures means the enlargement of citizens' access to budget information and set-up of all necessary conditions for fully understanding the decision-making mechanisms.

10. Currently, the largest part of the spending delivered from the state budget cover only the salary needs (80%), which means that the current system does not invest in development of the education needs, procurement, acquisition of equipment, furniture. The hypothesis is that the system maintains the network of schools irrespective to the results of its functioning. There is a huge gap / conflict of interests between central administration (Ministry of Education) and local / regional authorities, the later are supposed to cover spending for education (salary, repairs, etc). Thus, the Ministry of education has launched the new educational programs as pilot projects that combine lyceum education with general education existing in the USSR. Most of the rural schools are completed at only 30% of the board. In the same time, teacher's salary is the lowest in Europe (800 – 1200 MDL, or between 60 to 100 usd per month). This is perhaps the lowest budgetary normative salary in the economy. In statistical terms, the personnel employed in Moldova in the school management and primary education is two times larger if reported to the number of pupils/ students educated than the average numbers existing in most of the European states. This does not reflect however that the education standards are so high, or that the country has enough money to address in such particular way the primary and lyceum education, but first of all, it describes a situation in which the state conserved exactly the network of primary schools, as it did existed in the USSR, irrespective to the changes of the budgets.

6 Law on the approval of the National development strategy for 2008-2011, No.295-XVI, December 21, 2007

CHAPTER I: FINANCING OF PRE-UNIVERSITY EDUCATION – AN OVERVIEW OF THE EDUCATIONAL SYSTEM IN MOLDOVA

1. Impact of poverty on human development in Moldova

1.1. Inequalities have steadily grown up since the beginning of transition towards independent statehood in Moldova. Today, human development of the Republic of Moldova is ranked with 0.708, which gives the country a rank of 111th out of 177 countries[7]. Nevertheless, Moldovan Government adopted strategic documents to address this situation, and embarked on a challenging program of structural reforms[8]. In 2007, Parliament approved a new document, entitled the National Development Strategy (NDS) for the years of 2008-2011, which defines the development objectives of the country, by identifying the priority measures, and actions to be achieved till 2011.

1.2. The Strategy serves as a unique tool for the integration of the current strategic framework, alignment between the budgeting process (MTEF) and the policy framework, and absorbtion of external technical and financial assistance to the medium term strateig planning aims. If the EGRPSP aimed to strengthen the foundation for a robust, sustainable and inclusive economic growth, by decreasing the poverty in Moldova, the new strategic vision explores the same objectives together with the emerging opportunities of cooperation with the EU within the framework fo the ENP (European Neighborhood Policy).

1.3. Authors of the NDS state it openly that the priority development aras of the NDS aim at adjusting relevant national policies to the European ones, and therefore were based on the four Copenhagen criteria; translation of the acquis communautaire into the national legislation, ensuring the consistent enforcement of the adopted European legislation. While being a completely new process for Moldova, the implementation of the previous EGPRSP and Action Plan EU – RM has been mixed, producing no visible effects and remaining largely declarative[9]. It received support from a number of donors and partners.

1.4. Education is of major importance not only for reducing the risk of poverty but also for a complete fulfilment of human potential. In 2004 households with at least one member with higher education faced a poverty risk seven times lower compared to households without any education or illiterate. Moldova inherited from USSR a relatively high level of adult literacy[10], but the deepening of social inequality that produced during transition from a centrally-planned state-ruled economy to a relatively liberalized economy has reduced the access of some groups to education. It has worsened school attendance, as well as the situation of the primary (compulsory) and post-compulsory education: secondary and vocational secondary.

1.5. The process of closing of the pre-school institutions reduced the access to early childhood education for children of 1-5 years. Moldova still remains above the average of matriculation of the transition countries (50%), comparatively better than in Ukraine, but less than of Romania (72%) and the EU (70%). This reduction is due to systemic causes: some families are not able to afford primary education, some schools are not operating, children without parental supervision are dropping out of school and children abandon school when they travel abroad with their parents. Net enrolment in secondary

7 Human Development Report, UNDP web-address: http://hdrstats.undp.org/countries/country_fact_sheets/cty_fs_MDA.html
8 EGPRSP (Economic Growth and Poverty Reduction Strategy), 2004, National Development Plan, 2007, www.gov.md, www.scers.md
9 This conclusion is revealed by the annual reports on the EGPRSP implementation evaluation for 2005, 2006, and by reports on Moldova – EU Action Plan evaluation for August 2006, November 2007 and March 2008.
10 Literacy rate in 1993 was evaluated at 97%, increasing up to 99% in 2005, although the functional rate of literacy could be significantly lower than the rate of formal literacy (elementary capacity to write and read). See: UNDP/National Human Development Report, 2006, The quality of economic growth and its impact on human development, pp.72-75.

education improved due to increased enrolment in rural areas, but in the future it might decrease to the level registered in primary education. The interest in higher education is growing, the number of students increasing from 218 per 10,000 inhabitants in 2000 to 373 in 2005. The commercialization of higher education offered by public institutions has considerably reduced the access of young people from poor families to higher education. There is no gender discrimination in the education system of the Republic of Moldova.

1.6. Gross enrolment rate in all levels of education increased from 70.3% in 2000 to 71.5% in 2005. Gross enrolment rate in primary education in rural areas diminished from 92.5% in 2000 to 86.7% in 2004. Education continues to be under-funded thus stimulating unofficial private payments. Children from poor families enter the educational system later on and, as a rule, without attending earlier a pre-school institution, which thus creates additional hardships later on. Without an appropriate supervision from their parents, their achievements tend to worsen, and they tend to give up their education earlier, after primary education.

1.7. The poorest quintile from the rural areas allocates only 0.3% of the family budget on education in relation to 2,2% of the richest quintile from the urban areas. Very low incomes in agriculture discourages investment in the commodity market, low labour productivity, and low rate of return of the agricultural business force population to shift its attention to the other areas of living and earning. Many would present this as a real 'poverty trap' that have captured rural inhabitants, therefore affecting all institutions of the areas, including the schools, deteriorated roads, and other facilities that have not been repaired for years, poor statute of the communication and networks (water supply, gas pipelines). In many cases, emigration abroad of rural inhabitants, as well as from the small towns, has become a quasi-cultural phenomenon, and a kind of response to the worsening situation in the countryside.

1.8. While spending on education has been growing, independent and governmental reports show that the ratio of resources allocated per students/pupils are still rather low and insufficient to upgrade or even maintain the quality of education in Moldova, when compared with spending level existing in the mid-1990s (10% of GDP), or compared with monitoring indicators reflecting the quality of education in the neighboring countries[11]. Due to budgetary shortage and economic decline, provision of paid educational services emerged soon, with many private educational institutions being established in Moldova, which attracted lots of remittances[12].

1.9. Demographic decline has severely impacted Moldova during its transition after 1991. The average age of the country's population increased from 33.4 years in 2000 up to 35,6 years in 2007, putting thus Moldova in the group of countries with 'adult' population[13]. The decrease in the birth rate resulted in a reduction of the number of young people in absolute and relative terms. Compared to 2000, in 2007 there was a decline from 23,8% down to 17,2% in the share of 0-14 years-old population, with the share of people over 65 years going from 9,4% up to 10.3%. The number of school-age children is expected to fall, accordingly by 9 percent in the case of 3-6 year olds, 24% for 7-15 year olds and 18% for 16-18 year olds – and the number of 19-24 year olds is expected to rise by only 6%.

1.10. Many other concerns were related to the poor statute of meal subsidies policy, targeting certain categories, such as: pre-school, vocational schools. Policy analysts have noted that this situation proves the overall lack of efficiency of Moldova's educational system, as well as the insufficient attention paid to it, in particular with the rational use of resources, management capabilities of the school administrations, transparency of reporting, as well as student/teacher and student/non-teacher ratios, while bringing them closer to the OECD standards.

11 Joint Staff Advisory Note on the Annual Evaluation Report on the Economic Growth and Poverty Reduction Strategy Paper Prepared by the Staffs of the International Development Association (IDA) and the International Monetary Fund (IMF) Approved by Shigeo Katsu (IDA) and Juha Kähkönen and Anthony R. Boote (IMF) April 28, 2006

12 Almost 77% of the graduate universities required education fees from the applicants, their size varied between 3,000 – 9.000 MDL (300 and 900 usd) per year.

13 Law on the approval of the National development strategy for 2008-2011, No.295-XVI, December 21, 2007

2. Pre-University education: means and results

2.1. Since Moldova inherited a relatively high level of adult literacy[14], its standards and expectations in schooling, organization of the pre-university and pre-school education were quite high. Nevertheless, with the deepening of social inequality that emerged during transition from a centrally-planned state-ruled economy to a relatively liberalized economy, Moldova was challenged by considerable constraints expressed mainly in terms of available financial resources, deterioration of the school's infrastructure, demographic decline, growing inequalities of the income per households, hindering access to general education to some of the social groups of the population. As a result, the situation began to worsen despite the increased investments in the financing of the education institutions. School attendance, as well as the situation of the primary (compulsory) and post-compulsory education: secondary and vocational secondary, were quickly affected by rising regional disparities in terms of economic growth and maintenance of the basic education infrastructure, roads, situation of the local governments, as well as subjective perception of the population related to the functioning of schools.

2.2. The transition called for changes in the educational policies of the newly formed independent state.15 The structure of the educational system has been modernized with the creation of gymnasiums, lyceums, polyvalent vocational schools, colleges, new levels of graduate education, and with establishment of mandatory endings at the end of each training level. In the context of the general secondary education reform, some achievements have been registered16. Nevertheless, inequalities in access to education grew rapidly in Moldova. Children from poor families have little acces to preschool education services. Data received from the households budgets survey17, revealed that the net rate of enrolment in pre-school education for the children of the poorest 1st quintile was 36% in 2004 as compared to 80% for the children of the 5th quintile. The index of education decreased from 0,564 in 1993 to 0,503 in 1999, after which it has been continuously growing up to 0.892 in 2007/2008. Starting with year 2003, the enrollment rates in the primary and secondary educational systems have increased constantly. In order to ensure universal access to the primary compulsory education, the Government of Moldova aims at increasing the rough rate of enrollment in the compulsory primary education from 94,1% in 2002 to 95% in 2010 and to 98% in 201518.

2.3. The basic eduction gross enrollment rate was 94% in 2004, while the overall enrollment rate for the uppor secondary level is 45% - half of the one achieved by CEE EU members. The process of closing of the pre-school institutions reduced the access to early childhood education for children of 1-5 years. Moldova still remains above the average of matriculation of the transition countries (50%), comparatively better than in Ukraine, but less than of Romania (72%) and the EU (70%). Shortage of resources for teaching materials and equipment, low wages for teachers, as well as the public financing of education have deteriorated the situation of the mandatory public education. There is an increasing number of schools that receive less resources than needed for wages and maintainance (heating, services, nutrition, staff training). Low wages have a negative impact on the quality of education outcomes at all levels. As funds are allocated to schools according to some specific normatives, the capacity of local governments and school managers to offer good value for money is severely limited.

2.4. Securing access of the population to the qualitative educational services during 2005-2007 was the scope of the reforms initiated by the Government of Moldova. In particular, the reforms aimed to ensure sustainability through the improvement of the financing mechanisms of the education services, upgrade the network of educational institutions in the rural area, modernise social education system for children with special educational needs and disadvantaged categories, effective use of the human resource

14 Literacy rate in 1993 was evaluated at 97%, increasing up to 99% in 2005, although the functional rate of literacy could be significantly lower than the rate of formal literacy (elementary capacity to write and read). See: UNDP/National Human Development Report, 2006, The quality of economic growth and its impact on human development, pp.72-75.

15 It is noteworthy that a new law on education was adopted in 1995, one year after the first Moldovan Constitution (July 1994). The main task of these governmental instruments is to build a modern and democratic national educational system, based on both national and universal values. The educational system entered the phase of democratic reforms, based on new educational principles formulated in the Law on Education adopted by the Parliament in 1995.

16 elaboration and implementation of new contents-based on formative education, on national and universal values, development of modern textbooks for primary and lower secondary education, implementation of a textbook rental scheme, involvement of the teaching staff in assimilating new content and methodologies

17 UNDP, National Human Development Report, 2006, The quality of economic growth and its impact on human development, p.72-78

18 Law no.295-XVI din 21.12.2007 for the National Strategy of Development approval for the years 2008-2011, Attachment No.2 „Millenium Development Goals: targets and revised indicators".

management by increasing the motivation on performance delivered by the personnel and creation of an attractive environment. The net coverage rate at all levels of education is low as compared to the standards of European states with a high level of human development.

2.5. Although, the budgetary spending has increased in the last decade, independent evaluation as well as governmental reporting show that the share of allocated resources (per capita spending in schools) is still quite low and insuficient to produce significant results the quality of the general compulsory and non-compulsory education in Moldova, as compared with the share of spending existent at the middle of 90th (10% of GDP), or compared with the monitoring indicators assessming the quality of public education in the neigbhoring states19. Due to the chronical budgetary deficit caused by unstable and unsustainable economic growth, Moldova witnessed a rather fast development of private educational services. Only in the last decade, Moldova registered the functioning of dozens of private universities and schools, lyceums and kindergartens, benefiting a lot from the cumulated effect of the remitances in economy, as well as from the entreprenorial spirit of the educators. Beyound the undeniable factor of the income polarisation of population, one could also emphasize the demand for high quality education, superior to the average level education delivered through publicly – funded schools20. Private education can only complement, and not substitute public education in transitional societies, and even in the stable capitalist states. The sensitive issue of budgetary alocation of funding from the state budget only to the public schools is emerging however on the public discussions in Moldova, and this shall be equally seen as a question mark of the reforming education spending.

2.6. In connection with the visibile impact of the economic hardships and decline of economy, one shall correlate the stability of the public education institutions with the impact of demographic factor. When demographic decline impacts the communities, small or big, than the educational spending need to consider various policies to rationalise the financing flows to the schools. This pertains to the reallocation of transfers for education in the primary and secondary level – education, but also in those school in which a considerable of spending goes to the salaries and maintenance costs. Demographic decline produces ageying of the population. In this respect, one can easily remark that the average age of the population in Moldova increased from 33.4 years in 2000 to 35,6 years in 2007. The trend continued in the last 7 years has re-positioned Moldova from the group of ‚young nations' into the group of ‚adult populations'. Sharp reduction of the birth rate has led to the contraction of the young population, both in absolute and relative number. Compared with 2000, Moldova registered a decline of 23,8% of the youngest segment of the population (age 0 – 14 years) in 2007, while the population aged above 65 years has increased from 9,4% to 10,.3%. With all these stated, one shall expect that the school-age children will equally diminish: from 9% - in the case of children of 3-6 years, 24% in the case of 7-5 years, and 19% in the case of 16-18 years, while the number of youth aged 19-24 years will increase only with 6%.

2.7. Management of the pre-university schools is hindered by increasing difficulties in fillin in the national public budget in Moldova. Lack of decentralisation of the municipal governments maintained the existence of small and rather fragmented local and mid-tier governments. Rising inflation has equally influenced the scarce centralized spending in schools. There are overarching problems related to the nutrition of children enrolled in schols, assistance provided to the most vulnerable groups of children, according to the level of education they are pursuing: pre-school, or vocational. It is generally acknowledged that the nutrition is currently not pursued as a comprehensive policy in Moldova, with major implications on the structure of local budgets, division of competencies amongs various tiers of government, and institutional capacity lacking at this moment, in most of the general school. It is emphasized that impact analysis of the current financing system, evaluation of management capabilities at the school level, strengthening of the school autonomy, in paralel with the implementation of the effective mechanisms to ensure transparent and accountable use of public money, assisting internal control of auditing, at the level of European (OECD) standards, is clearly challenging the pre-university programs of education in Moldova, today.

19 Joint Staff Advisory Note on the Annual Evaluation Report on the Economic Growth and Poverty Reduction Strategy Paper Prepared by the Staffs of the International Development Association (IDA) and the International Monetary Fund (IMF) Approved by Shigeo Katsu (IDA) and Juha Kähkönen and Anthony R. Boote (IMF) April 28, 2006

20 About 77% of the state universities request the payment of various fees and contract for studies from their students. The average cost for a university contract of studies ranges between 3,000 and 9.000 lei (or (300 - 900 usd) per year.

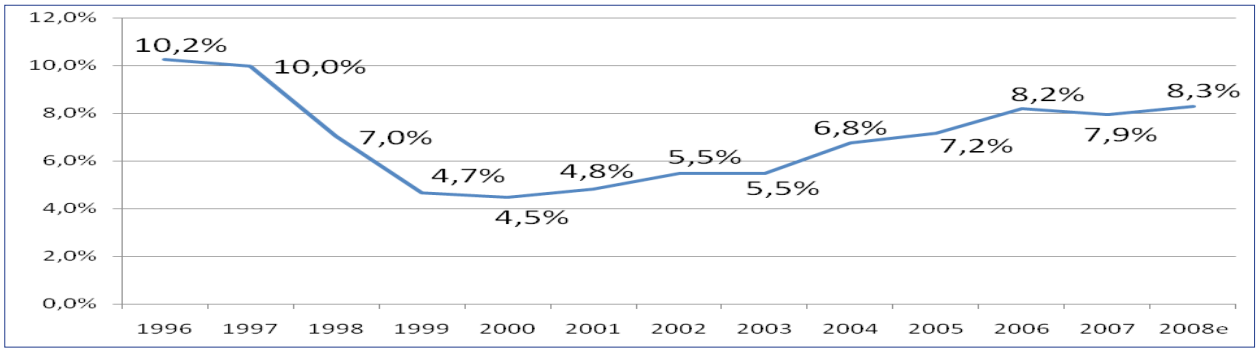
2.8. Although some reforms have been performed by the Ministry of Education in the last decade, in particular related to the adjustment of curriculum, professional training of teachers and organization of schools, very few achievements can be recalled here in what concerns the optimization of the school infrastructure, network optimization and budgetary efficiency benchmarks. The Minisry has not yet defined exactly what it usually define by the 'minimum educational' package guaranteed for the education at all levels and all types and variations. There is not yet clar how the state maintain the public and the private educational institutions under the same roof of compulsory educational standards. Many of these problems remained deeply incrusted in the functioning of a system that is slowly responding to the change in demand, while the management of education remains a subject to unpredictable changes or ad-hoc decisions. Constitution says that general compulsory education, lyceal and upper secondary is ensured and free of charge (art.35, 1-9), while the law on education stipulates that 'institutions of public secondary vocational education, post-secondary vocational education, and higher education are allowed to charge fees for educational services'. It is still unclear what exactly the state includes into the basical package to its citizens, and what they shall expect from the government, as the most important strategic papers and strategies state that 'public education is subject to priority funding'.

2.9. New responsibilities will be transferred to schools and local authorities, keeping important instruments of influence in the hands of the Ministry of Education (authorization of the functioning of schools, and standards of performance and programs over the educational services delivered through the system of public education). Although the primary and lyceal education has advanced towards new standards of education, while Moldova adhered to the Bologna process in the reformation of its university education, these changes have not been yet reflected in the structure of spending for education, so that the budgetary allocations are not yet consistent with the outcomes. As a result, Moldova is challenged today with important dilemmas related to the maintenance or rationalization of its network of schools into a new format, including primary schools, gymnasiums and lyceal schools, amiting however that it has no enough resources to accomplish the task and, apparently, not even the political will and vision to change overnight the accumulated troubles in this strategically important field.

3. Financing Pre-University Public Education in Moldova

3.1. The share of GDP spent for education in Moldova reached the level of 7%, steadily, rising from 5,7% in 2001. Education spending in Moldova is generally comparable with the CIS average, but is 4,3% higher compared with South-East European indicators, and 2,6% higher compared to the EU average21. According to a paper analyzing the public expenditure efficiency22, the expenditure on education is projected to fall below 6 percent by 2009.

Chart 1: Share of spending for education in GDP, %



Source: Calculated by the authors, March-May, 2008

21 Mid-term Expenditure Framework Review (2008-2010), approved by a Governmental Decision nr.756 din 02.07.2007
22 Improving Public Expenditure Efficiency for Growth and Poverty Reduction, prepared by Poverty Reduction and Economic Management Unit

3.2. Since 2000, the share for education expenditures increased at the national level with an average rate of 28% annually, ranging between 21% in 2003 to almost 45% in 2004 (min and max). The highest rate of spending for education as a share of the GDP was registered in 1996, when it reached 10.2%. During the years of 1998 – 2000, education expenditures decreased abruptly, showing a modest rat of only 4,5% in 2000. By 2001, education expenditures started to regain its position, and already by the years of 2006 – 2008, spending for education reached 8% of GDP. Budgetary statistics show however that until today, Moldova has not yet reached the financing of education that was registered in 1996, although in absolute numbers, the share of financing grew incessantly.

3.3. Financing of education was pursued as a priority by the previous governments in Moldova, as it is seen as a key priority for the current Cabinet of Ministers. Compared with other fields and demands, one can state that allocations for the public pre-university education were closer and more frequently updated than in other countries, in what concern the resources allocated from the national consolidated budget. Nevertheless, annual growth in financing for schools did not produced essential changes at the elvel of the school infrastructure, due to the reasons we intend to highlight below. Due to the 'budgerary surplus23' by the state budget, as well as due to the positive increase of the GDP, in the last 6 years, the budget for education showed a slow growth, with only 4% in real terms during the years of 2004 – 2008. Thus, the essential problem is not if this financing is big enough or too small, but wether this is consistent or not with the growing demands, and how one could rationalize and develop the system of public education spending in Moldova.

3.4. But, stable financing is correlated with the situation of the national revenues collected to the consolidated budget. As the economic forecasts show today, spending for education could again diminish to 6% in 200924. What will be then the effects of this situation for the actual pre-university system, and to which extent the existent system of calculating the costs per school costs, estimated on the basis of per child level is in fact the most adequate today? And if the costs evaluation, done on the basis of pro-forma normative, is not any more valid, as many critics affirm, then are there convincing alternatives to replace the main instrument of spending calculation for education in Moldova? What could be the consequences for the smalles schools, once they will not receive privileged financing any more on the expense of other schools, and other childrent? Who will be responsible for the overall quality of education once every school will be treated on an equal footing with other schools, irrespective to the number of children in its classes, or to the amortization effects for its assets? And, more important, sorting out the effects of a possible economic recession in Moldova: what shall be done in order to secure a stable level of incomes to the employed teachers and technical personnel in schools, which even today hardly keep the pace with the rising consumption basket? These sorts of questions have guided our research framework, which has been pursued through this study.

Table 1: Educational institutions per categories (schools)

	2003	2004	2005	2006	2007	2008
Pre-schools	1021	1367	1565	2642	3026	3166
Primary schools, gymnasia and high schools	963	1151	1232	1725	1816	1895
Complementary extra-curricular institutions	3963	96	100	144	156	161
Family type orphanages	5441	6707	6707	6847	7249	7326
General boarding gymnasia (internats)	-	4584	5315	8342	10900	14650
Special needs boarding gymnasia	-	6515	8313	11389	14182	18171

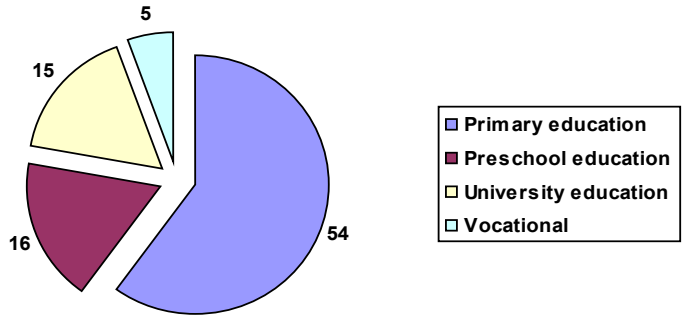
Source: Ministry of Finance

23 The term 'budgetary surplus' describes in fact revenues which are collected in the consolidated budget in addition to what is forecasted in the Budgetary Law. The share of revenues which appeared during the year reached a record level of 55% in 2005, and then decreased to 20% in 2007. The interesting thing is that the Parliament decides in its last session how to use the additional resources that were not forecasted, and can attribute additional funding to some of the fields, which are in shortage of funds. This 'tricky' kind of budgetary policy have allowed in the past the Government to plan the financing of salaries for the school teachers only for the first 10 months of the year, expecting that in its last Spring Session, the Parliament or re-direct some parts of the 'budgerary surplus' to the very much needed teachers, thus conciling a very low capacity to budget ahead and provide stable / sustainable funding for education, with predictable distortions inferred in the mechanisms of budget creation.

24 Improving Public Expenditure Efficiency for Growth and Poverty Reduction, pregătit de Poverty Reduction and Economic Management Unit Europe and Central Asia Region

3.5. Overall, education share of expenditures in the total of social spending is about 20%. Over 54% of resources have been used to cover the costs of the primary compulsory education, 16% - preschool education, 15% - university education, and 5% - secondary technical-professional education. Student/ teacher ratio was quite low during the last decade. World Bank data show that in nearly two thirds of gymnasia in the country no more then 200 students are enrolled, while no more then 100 students are enrolled in 14% of them. In urban areas, the situation is better, the rates being 21% and respectively, 7%25. At secondary general and lyceum level, 38% of rural schools have fewer than 400 students, 14% - fewer than 300, compared with 18 and 19, respectively in urban areas. As the number of school children decreases, many recommendations were made on the optimization of the current network of schools. This shall maintain the manageability of the system, while ensuring respect for educational standards at all levels of schooling.

Chart 2: Distribution of state budgetary financing in Moldova



Sursa: Ministerul Finanțelor din RM

3.6. External consultants suggest to the Moldovan Ministry of Education various models aiming to optimize the school network of general education (from primary to upper secondary), with the aim to generate fiscal savings of up to 0,5% of the GDP. The reduced number of school age children and the fact that the projected capacity of the schools are already below the affordable limits create unjustified costs. Optimisation of the school network is seen a a solution to improve the efficiency of resources by redirecting the costs towards other budgetary needs. Mapping of the pre-university education facilities has been implemented during 2007 to provide a sound basis for having a school network optimization strategy in Moldova. Suggested models include use of school transportation for students/ teachers, and training of teachers in multi-grade teaching methods. Few solutions were fond however in the areas of low waves paid for teachers, and subsequent social reactions once they will not accept to receive the lowest salaries in economy26.

Table 2: Selected education indicators by level, general schools, 2005

	Primary schools	Gymnasia	lyceums	Secondary general schools	total
Student/FTE Teacher ratio	15.3	1.4	3.1	13.0	12.7
Students per class	22.5	8.5	24.6	22.4	22.2
Students per institution	147.3	87.6	641.6	444.8	358.9
Number of classes per grade	1.6	1.1	2.2	1.8	1.6

Source: Langton 2006, Appendix 8

3.7. A major constraint for the effective use of budgetary resources in education is related to the financing method, the way how this is practically designed and implemented. Country strategies and papers

25 World Bank, Improving Public Expenditure Efficiencyfor Growth and Poverty Reduction, A Public Expenditure Review for the Republic of Moldova, February 12, 2007, Report No. 37933-MD: http://www-wds.worldbank.org:80/external/default/WDSConten

26 Deca Press, 05.08.2008, The trade unions from the educational system threaten with protests in case the salaries of teachers are not raised

recognizes that it does not offer to educational institutions (schools) enough flexibility and autonomy in spending their budgeted resources, therefore, governmental reports acknowledge that a radical reform of the planning and financing of the primary / secondary education system is needed27.

Table 3: Teacher – student rate in Moldova

	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007
Schools	1530	1536	1549	1558	1566	1577	1580	1576	1570	1551	1539
Students,thousand	649,5	652,7	650,7	643,1	629,3	618,4	603,4	578,7	546,6	517,0	491,5
Teachers, thousand	44,8	45,0	44,8	43,2	42,3	42,5	41,6	42,6	41,0	40,9	40,0
Students per tacher	14,5	14,5	14,5	14,9	14,9	14,6	14,5	13,6	13,3	12,6	12,3
Students in school	425	425	420	413	402	392	382	367	348	333	319
Students, annual growth, %	-	0,5	-0,3	-1,2	-2,1	-1,7	-2,4	-4,1	-5,5	-5,4	-4,9
Teachers, annual growth, %	-	0,4	-0,4	-3,6	-2,1	0,5	-2,1	2,4	-3,8	-0,2	-2,2
Schools, annual growth, %	-	0,4	0,8	0,6	0,5	0,7	0,2	-0,3	-0,4	-1,2	-0,8

Source: Department of Statistics

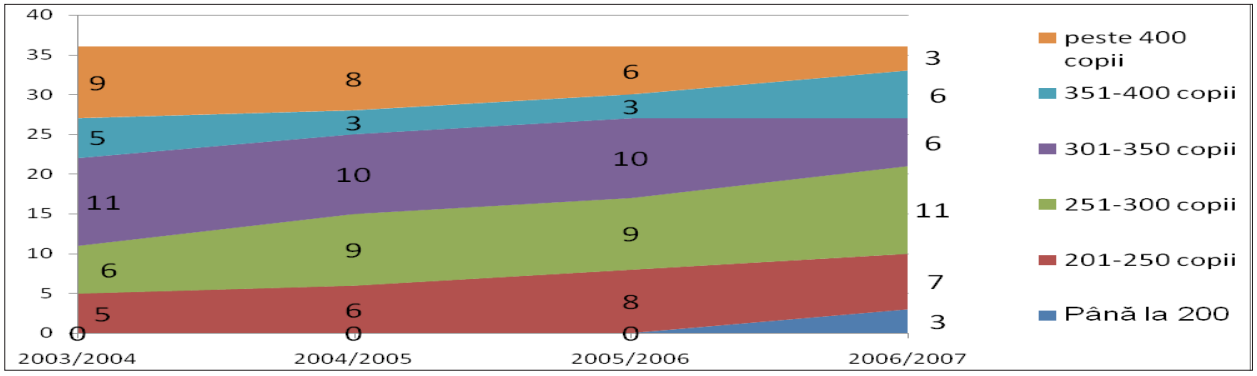
3.8. Schools in Moldova lass a difficult period in terms of management and financing. The public educatiotion costs are estimated on the normative expenditures allocated at the national level on the basis of estimated costs per capita. Thus, as long as a particular school has less students/pupils it will be less budgetary resources received from the Ministry to pay more or less descent salaries for teachers, or allocate necessary funds for the maintenance costs and development of the school; on the other hand, regardless of the size of the normative estimates elaborated at the national level, at the end of the day, schools will get only a part of what they have expected, correlated with a lot of subjective criteria employed by the specialized educational departments of the disctrict governments (rayons). At the level of the mid-tier governments, allocations will be multiplied or diminished with various coefficients, which are not regulated by any of the legally binding acts. Thus, the final allocations of the budgeted expenditures for school functioning will represented only a fainty resemblance with the originally set up at the central level. Nor it will matter if the schools have the necessary administrative capacity to administer their budgets, or plan ambitious development plans for themselves. At the end of the day, district administration officials will get what they want and when, in the less transparent way as possible. With the number of students/ children in schools dropping, the number of teachers remained generally unchanged.The average level of the ratio student – teacher was maintained along many years at the rate of 14,5 students per teacher. This indicator has been improved during the years 1999-2001, but it is heavily conditioned by the reduction of spending for education, and the salary arrears. As a result, 2,500 (or 5.5%) teachers left schools.

3.9. Although the number of children has droped constantly from 1998, the educational system continued to function by inertia, with new schools and other educational institutions being built on and operated. Pre-school education absorbs 16% of the public education budget, or 1,1% of the GDP (as compared with 0,5% the average in OECD countries). Reports show that their maintenance costs are 52% higher compared to general schools. Given the unadequate financing of public education, schools are relying on financial support provided by the parents. Considerable non-public funds are channeled to maintain schools, often as 'unofficial taxes'. Parents spend nearly 1,7 bilion MDL an year on education of their children28, which is 117 milion MDL more compared to the public expenditure of 1,57 bilion. Of these contributions, 26 milion are spent for additional lessons, 146 – for schools' maintainance, 25 - for gifts and nearly 4– to provide better scores. Over 50% of parents stated they are requested unofficial payments, while 95% of teachers refute this argument.

27 EGPRSP Implementation report, April 2008

28 Informal payments in pre-university education and equal access to education, survey implemented by CBS Axa and IPP in 2007, Infotag, Info-prim Neo.

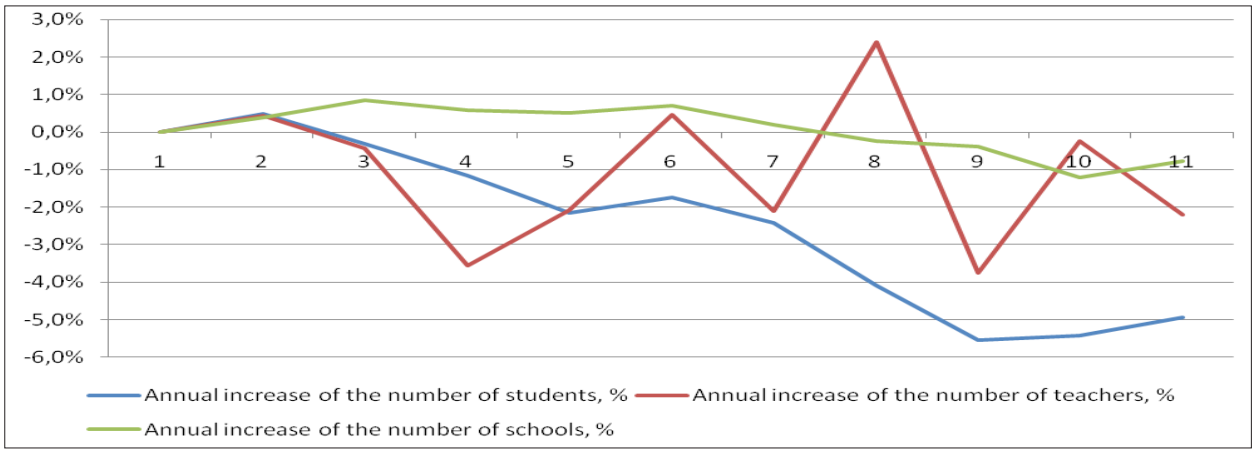
Chart 3: Schools in Moldova according to their effective use of enrollment capacity



Source: Calculated by the authors, March-May, 2008

3.10. The increase of the number of schools and reduction of the number of children has conducted to a constant drop of the median number of children in schools: from 425 students in 1998 to 319 in 2007. Beginning with 1998, every year, the number of children in school declined with 3,2% annually. The number of children in educational institutions is about 75% of the year of 1998. Thus, spending for the maintenance of educational institutions has increased with 33% only due to the decline of the average nmber of children in schools. As a confirmation, one can easily find out schools today in Moldova which are used below 50% of their capacity. However, if the decline of the school-age children is obvious and reported by the official statistics, the same cannot be noted about the number of the teachers and auxiliary technical personnel of schools. As the foremost criteria for the creation of school budgets is based only on the number of children enrolled by a particular school, less children means less financing, to a proportional and alarming rate, with a notable exception of the number of teachers, which remain generally unchanged. Thus, the average rate of teachers – students has been maintained for many years along at the rate of 14.5 students per 1 teacher, in average for the public education. During the years of 1999 – 2000, the ratio has been improved slightly, but later on it has been again conditioned by a dramatic reduction of expenditures for education and the overwhelming salary arears. As a result, over 2.500 of teachers (or, apr.5.5% of those employed in the public preuniversity education) have left their positions in schools.Although the number of children reduced constantly, the original system of public education continued to function by inertia, and considerable funds were allocated to maintain aloof a network of schools, which is very much copy-pasted from the Soviet-era network of small and dysfunctional 'general education schools'.

Chart 4: Annual growth of the number of children, schools and teachers



Source: Calculated by the authors, March-May, 2008

3.11. The above Chart shows that there is no actually any correlation between the number of students and the evolution of the number of teachers (correlation is 0,2), although, one can see a relatively strong correlation between the number of schools and the evolution of the number of children (correlation is 0.79). One can observe that the decline in the number of children has forced the Government to reduce or liquidate some of the schools, but found difficult to do the same with the number of teachers, and accordingly, there are an impressive number of schools where the ratio teacher / students remained very high. The reason behind is not only the structural need to cover the school curricula, but also the inflexibility of the reforms agenda, and slow pace in implementing the new programs and budgeting methods in the pre-university schools. When in 2003, the smallest schools in Moldova have an average number of 90 students/children, in 2008, research found out that there are schools with 70 students, while teacher's number remained the same (12 teaching personnel)29.

3.12. Our data shows that there is little, if any link between the number of students and the number of teachers, although, one can see a relatively strong link between the number of schools and the number of children. Due to decline in number of school-age children, the Ministry of Education has prepared some policy remedies, such as – reduction of schools, but found it extremely difficult to reduce the number of teachers, and as a result, it let the process to evolve on its own, fearing that social effects for a tougher policy will be more than expensive. Accordingly, there is an impressive number of schools where the ratio of teachers per students remained very high. If in 2003 the smallest schools in Moldova were those with an average number of 90 students, in 2008 there were schools with only 70 students, while the number of teachers remained the same30.

4. Official budgeting, real spending effective functioning of the schools

4.1. Until 1998, the education in the Republic of Moldova was financed from the local budgets, though the transfers were performed on the basis of the expenditures provisions. In other words, the municipalities were receiving money separately for each activity (remuneration, maintenance, etc.), and the resources attributed to one expenditure article could not be used for other needs. Since 1999, in order to increase the level of local self-governance, the financing of education began to base upon a single normative – per pupil. Still, many municipalities were encountering difficulties in organizing the educational process and in providing a good functioning of the school, as a result many of them were delaying the payment of teachers' wages. Since 2002, teachers salaries started to increase faster than the normative elaborated by the central government for education programs. As a result, if in 2001, salaries represented apr.50-60% of in the school subsidies transferred to the local schools, then today, in 2008, this indicator reached the level of 70-90%. Increasing the share of the salaries in the budget expenditures did not implied that they become more competitive on the labor market, by contrary. Underpaid, teachers started to under-perform. Low social prestije is attributed to a large extent to the limited incomes they can generate from the professional field where they are active. So, if in some of the fields, such as primary medical care, even field feldshers started to receive salaries amounting to 5,000 – 6,000 lei31, teachers remained with waves slightly reaching the maring of 1.000 lei.

Chart 5: Share of the financing for education, calculated of GDP, mln lei

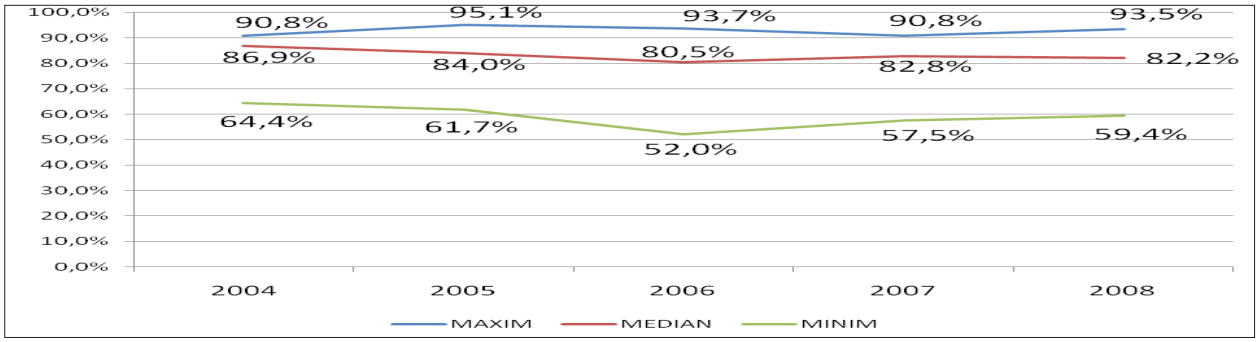
	2004	2005	2006	2007 estimation	2008 estimation
GDP	32032	37652	44069	53354	63200
National Budget	11407	14527	17845	22355	23900
State Consolidated Budget	5477	8738	10918	13900	15200
Education expenditures	2169	2697	3605	4240	4885
% public education in GDP	6,8%	7,2%	8,2%	7,9%	8,3%

Sursa: Biroul de Statistică

29 Field interviews in two villages: Fantana Alba and Fuduri Gymnasiums (Edinet rn and Glodeni rn), March 2008
30 Field interviews in two villages: Fantana Alba and Fuduri Gymnasiums (Edinet rn and Glodeni rn), March 2008
31 As a result of the recent implementation of the Medical Compulsory Ensurance, nominal wafes of the medical personnel has increased in one year with 2,9 times. Moldpress, Interview with Minister of Health, Ion Ababii. 27.11.2007

4.2. Beginning with 2005 the teachers' wages are paid centralized from the national budget. This way, a paradox situation was created: the local budget is adopted together with the teachers' salaries (50-70% of the local budget), though the local authorities actually manage between 30% and 50% of the budget. Moreover, beginning with 2002 the teachers' wages have increased much faster than the normatives for education. As a result, if in 2001, the salaries constituted around 50-60% of the budget for education, than at present, it reaches up to 70-90%. The low prestige of school teacher profession in Moldova can be mostly explained both by the low level of salary payment and insufficient financing for school buildings maintenance, especially in municipalities.

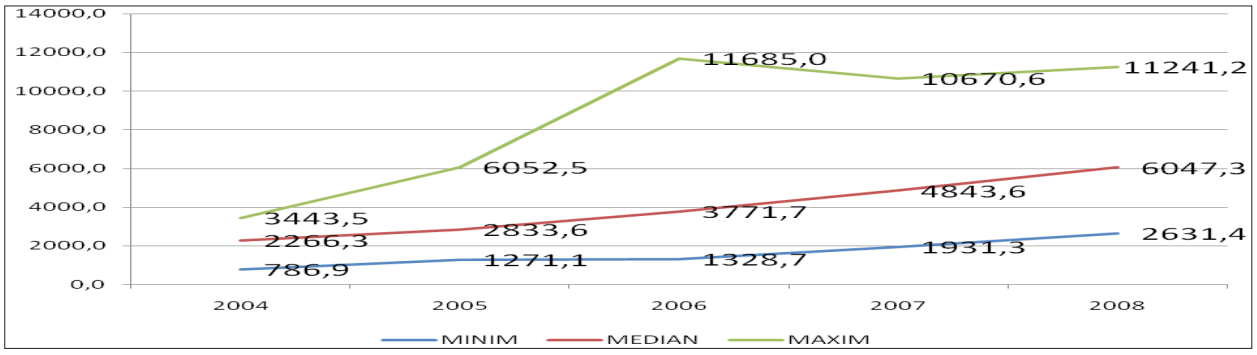
Chart 6: Share of wages/salaries in the total spending for education



Source: Calculated by the authors, March-May, 2008

4.3. Cumulated wages, taxes and bonuses represent a ratio of 60% to almost 80% of the total educational budget for education approved by the Parliament. When the mayoralties are too small, and they have very limited budgets, then mayors shall re-allocate additional funds to maintain the school budgets, otherwise, the tranferred resources will be insufficient for the maintainance of the respective schools. Usually, these additional funds are requested to cover the costs of lighening, heating systems, repairs, but also related to acuisition of teaching supplies/didactical materials, technical-material endowment of the school educational process.

Chart 7: Variation of Costs spending in education estimated per child

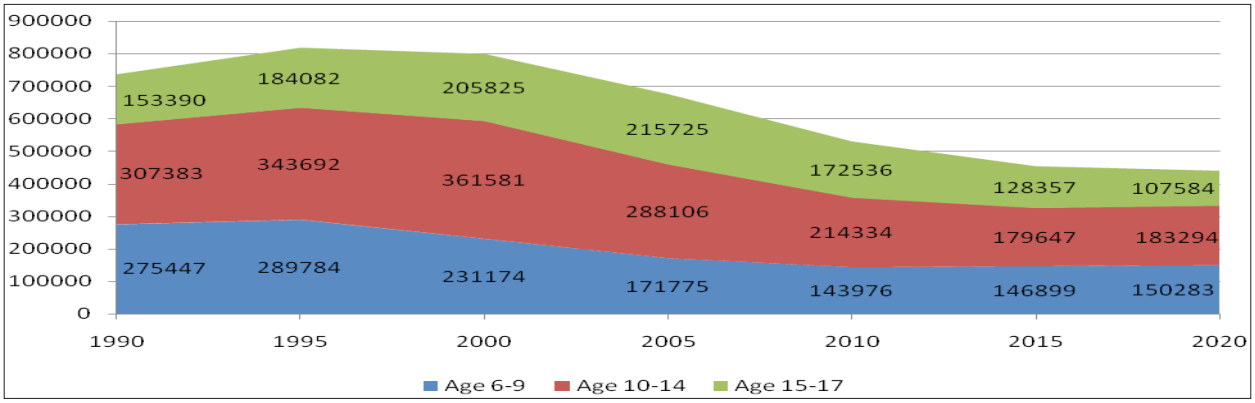


Source: Calculated by the authors, March-May, 2008

4.4. The median expenditures per child grew constantly in the last years: rising from 2266,3 MDL in 2004 to 6,047,3 MDL in 2008. This fluctuation of spending estimated per child display a growth of 270%, which was mainly due to: (a) Exponential increase of the budgetary revenues (20-30% annual growth and almost 50% rise in 2005), which allowed the state to redirect additional resources into the educational field, in particular to rise teacher's salaries; (b) Increase of the share of educational spending in the total of the state budget and GDP, which have contributed both with almost 83% in the rise of spending for child in the last 5 years; (c) Considerable decline of the number of students in schools, which resulted in almost 17% of increase of spending per child.

4.5. Thus, budgetary transfers from the national public budget for education increased in the last 5 years by 2.25 times, while the rest of the expenditures, estimated per child has been decisevely influenced by a reduction of the number of children in schools. Annually, the number of enrolled children drop by 3-5%. Only in the recent 5 years, the indicator related to the overall number of enrolled children/students decreased by 20%. Assessing the demographic trends in Moldova, one may predict with sufficient methodological underpinning that it will dramatically impact the situation of the pre-university schools in the upcoming 15-20 years. Statistics show that after a prolonged demographic decline, the birth rate to reach a certain stability starting with 2004. We can predict that the stabilization of the natality rate followed a slight improvement of the overall social – demographic situation, which will last appr.6-7 years until 2015. These statistical facts allow us to define the following demographic picture. We forecast that the number of children of school age will decrease constantly until 2015, reaching a number of 455.000 school age children enrolled in the schools of the pre-university education, this number being appr. 55% of the enrolled children in 1995.

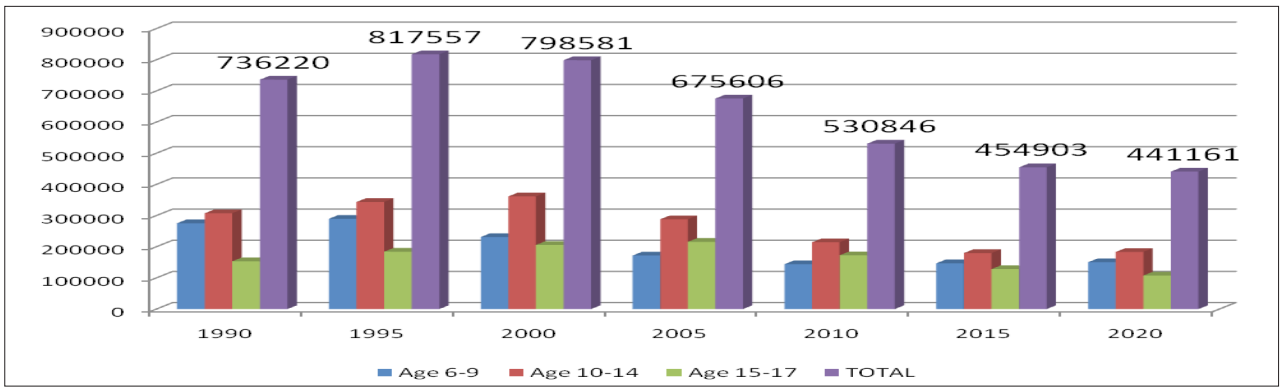
Chart 8: Modelling demographic trends of the population, according to the age groups



Source: National Bureau of Statistics, 2008, and authors's estimations

4.6. We forecast that the number of children of scholarly age will drop continuously until 2015, reaching a number of 455.000 of children enrolled, which is only 55% of the enrolled students in 1995. After 2015, the number of children of school age will be stabilized for at least 10 years. Our conclusion is that Moldova is placed today at the middle of the crossroads, which creates additional problems to the functioning of the education: (a) the existing system of public education is not yet adjusted to the demographic trends that took place in the last decade, (b) the costs for management of the education system are quite high and are not targeted, they usually absorb a large amount of money which are not justified in terms of quality of services; (c) the costs which are not yet covered, but will increase the malfunctioning of the existing system are related to the reformation of the system; still, the budgetary resources allocated for education do not produce changes in the educational system. In conclusion, we can see that the initiated reform of the educational system (from the Soviet-based education to a modern-pluralist one) has been not correlated with the needed changes of the school infrastructure and natality decline.

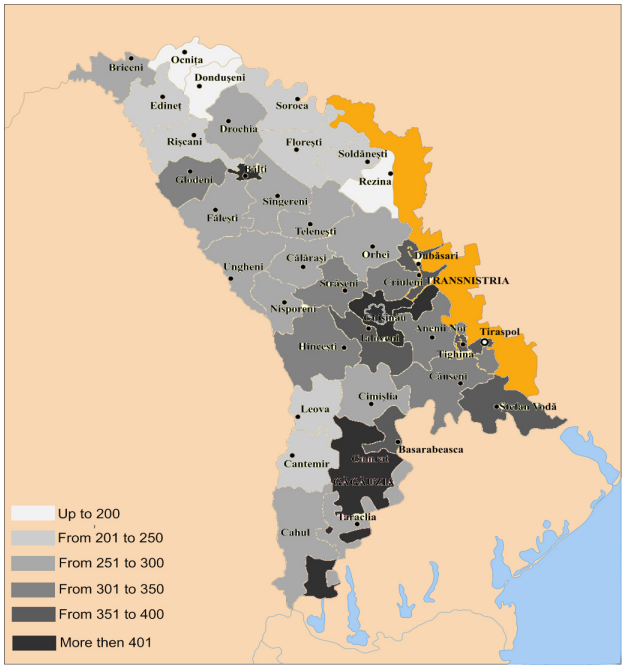
Chart 9: Forecasting the number of children in trend until 2020



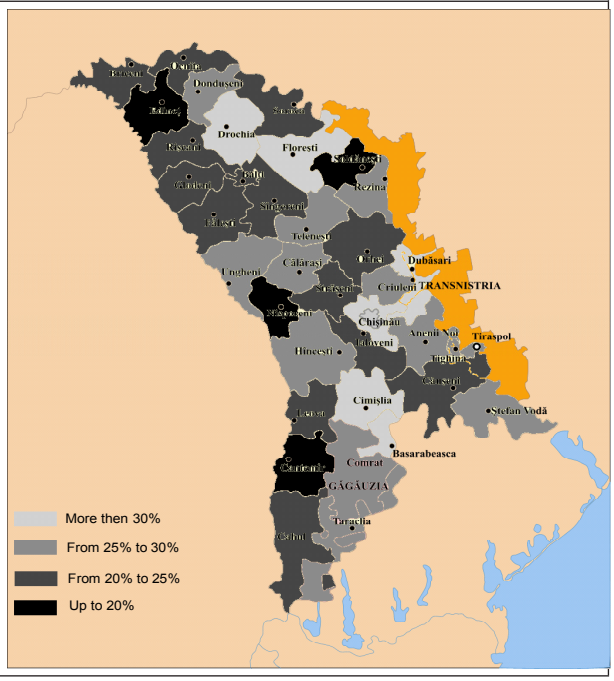
Source: National Bureau of Statistics, 2008, and authors's estimations

4.7. In addition to the influence of demographic factors, we can observe important discrepancies in the current educational system amongst the main regions of the country. Thus, if the number of children of school age will drop in the coming 5 years by 25-30%, we forecast that this change will affect unequally the settlements of Moldova. We assume that the most affected by this population change will be the following rayons: Cimislia, Dubasari and Chisinau, where the number of children will drop to more than 30% (40% in the case of Cimislia), while the less affected rayons (less than 20%) will be: Soldanesti, Cantemir, Edinet, Nisporeni, where the birth rate is on the rise.

Map 1: Regional discrepancies in child attendance per school: mapping school attendance in 2008



Map 2: Expecting population changes at the level of rayons (2008 – 2013)

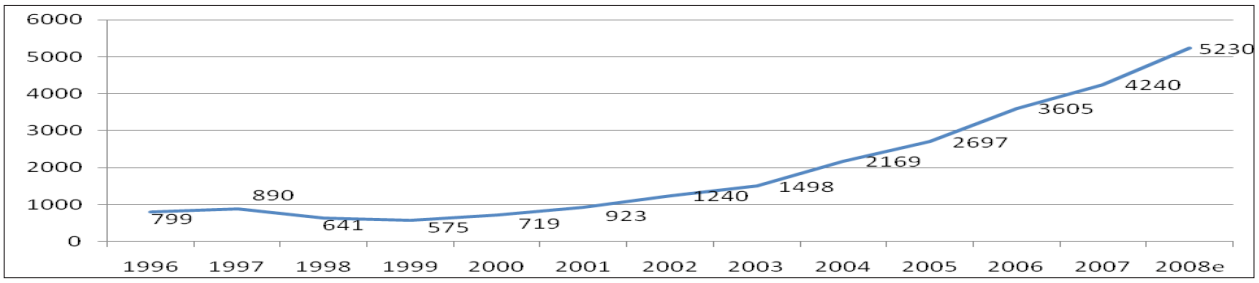


Source: author's estimates

4.8. Spending for education transferred from the national public budget grew in the last 5 years by 2,25 times, while the rest of spending per 1 child was influenced by the reduced number of children in schools. The number of enrolled children in schools dropped annually with 3-5%. Only in the last 5 years, this number has been reduced with 20%. Demographic situation in Moldova shows a constant decline in the last years. Therefore, on the basis of the demographic changes of the population, one can easily predict the upcoming challenges that will face the existing educational institutions of the country in the coming

20 years. Statistics show that after a prolonged period of demographic decline, the population birth rate began to stabilize in Moldova since 2004. We estimate that the stabilization of the natality rate associated with a slight improvement will last for 6-7 years until 2015. This factor allows us to make a couple of assumptions.

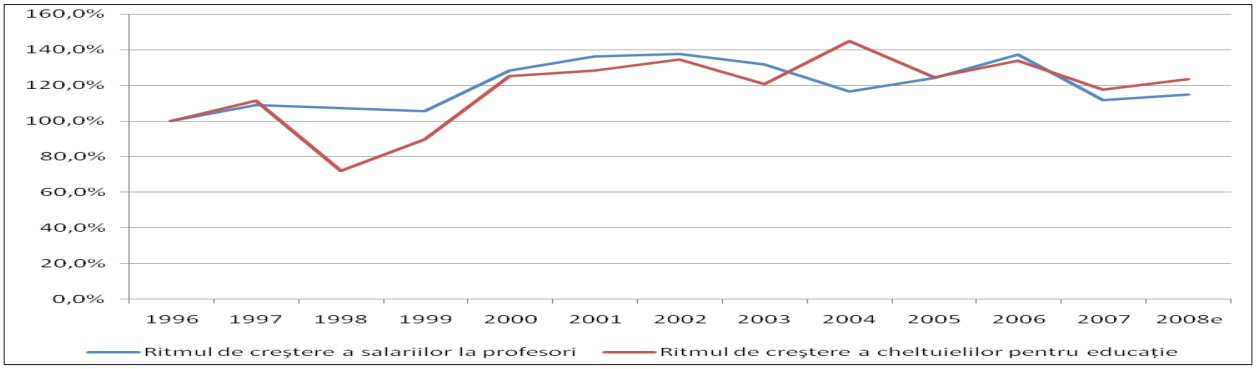
Chart 10: Educational spending in dynamics for the last 12 years in Moldova



Sourse: Author's calculations, March – May 2008

4.9. Until 1998, financing of the public pre-university education was implemented on the basis of spending devises. Local governments were receiving education transfers not as a lump sum, but on every item of expenditures separately, such as: salaries, repairs, current maintenance of schools, having almost no right to redirect the allocated resources from the state level (Ministry of Finance) to other expenditure devises. By fall of 1998, the financing of education went through radical changes, and providing are a result more autonomy at the school level, and thus, every local public administration entity started to receive a certain ammount, estimated on the basis of various spending devises multiplied to the number of registered children/students, freely decided upon the best ways to use rationally the allocated resources. Sometimes, local governments used their competence too literally. Thus, they could decide for instance to redirect the allocated resources not to the salaries of teachers, but to the maintenance costs. And, when other resources were hardly available, some of the schools were better off in terms of the maintenance and hitting, but worse in terms of salary payment to those who could not get other ways of earning for life. Salary arrears became a popular phenomen, especially after the 1998 financial crisis in Russia, with a rather strident way of resolving the situation – strikes. By end of 1998, salary arrears accumulated at the national level reached 3-5 of nonpayments, with a large group of ‚champion' local authorities, which succeeded to postpone the payment of salary wages for more than 10 months of work. The sitaution started to improve only in 2001, when the salary situation became more rigurously monitored by the Minitry of Finance, as wel as the Minsitry of Education. Nevertheless, underfinding in the education pre-university institutions, and accordingly, the lack of adequate mechanisms of keeping the incomes of teachers below minimum wage in economy failed to reach a satisfactory solution along many years.

Chart 11: Contrastive estimation of the annual growths of the education spending for education and teacher's wages



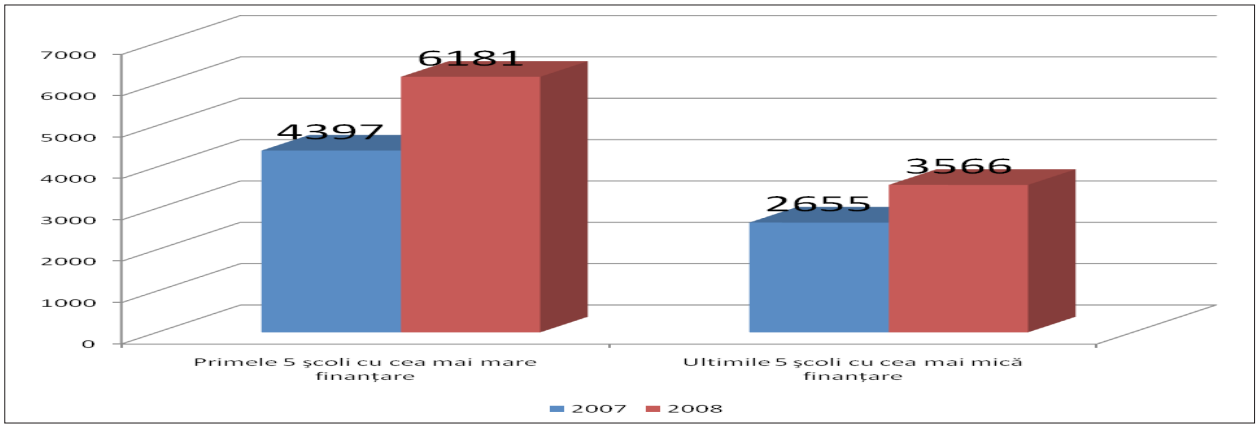
Sourse: Author's calculations, March – May 2008

4.10. At the end of the day, Government decided to interfere into the situation of salary arreas and, in 2004, it elaborated a special decision through which the teachers salaries had to be paid directly by the sub-national district authorities (II level). Comparing the share of the wages for teachers and maintenance costs, one could remark that since 1997 till 2000, the costs for maintainng the school infrastructure have been practically neglected, registering a serious shortage, cu wages paid for very short periods, but without serious breathough for the expenditures related to the building maintenance and school development (didactical materials, technical-IT equipment, laboratorium ustensils, etc. In fact, the salary crisis of the years 1998 – 2000 has been stimulated by the unwise policy of the previous Government to rise unilaterally salary for teachers, but leaving full discretion of their payment to the local governments, who could decide to balance this policy change on salaries with their free-rider option to redirect these resources towards the burning issues on their imediate agenda, in particular, towards the expenditures related to lightening, hitting, electricity, and other maintenance costs, inseparable from the functioning of any school. Since 2004, the year in which salary payment is transfered as a competence of the II district level, one can observe a sharp decrease of the financing of education, exceeding upon the growth of the average salary in schools.

4.11. In this context, we would like to underline that in Orhei District, in whcih the maintenance of a school, with less students than the average number of children at the national level (320), with an occupational indicator of the school space available under 50%, spends the largest amoung of resources per capita. Thus, if in 2007, education of one child in a school with the the largest expenditures paid from the public budget for the number of children was equal to 87% more than in the schools with the fewest expenditures for the number of children, then in 2008, this school was requesting already 118% more than the expenditures requested by larger school. This situation brings us to the idea that schools with declining number of children are becoming more expensive, and less effective. Equally, one can draw the conclusion that the smaller are the schools the more they will increase the budgetary pressure for their maintenance.

Chart 12: Education spending estimated per child on the allocated budgetary transfers:

Case study in the Disctrict of Orhei



Sourse: Author's calculations, March – May 2008

4.12. Data included in the above mentioned Chart were estimated on the base of the first 5 schools and the last 5 schools (from a sample of registered schools in the District of Orhei), according to the volume of financing allocated by the rayon direction of public education transfered to the local governments. As highlighted above, these transfers serve to finance the functioning of schools. The only criteria which correlate with the slight increases in financing per capita is related to the salary rise for teachers. Our research data collected for this research allow us to state that the increase of allocations for education is absorbed, in the last years, by the smallest and less efficient schools.

4.13. Another observation derive from the fact that when public spending for estimated per child

increase the maintenance costs and technical equipment of schools expenditures will decrease, accordingly. The basical reason for this unparallel disproportional effect lies in the fact that rayon/ district educational departments are forced to assign more and more resources to cover the minimum compulsory expenditures (salaries, termo – and other works related to the hitting of the school, nutrition provided to children), in attempt to balance the sudden increase of allocations by reducing other expenditures, such as: current maintenance, supply with didactical materials, equipment purchased to laboratoriums, or other devises, which is compromising the quality of educational process. As a result, the education standards are deeply affected, once the spending for children will increase per children, a finding which seems to be paradoxal given the level of significant costs directed from the state revenues to the education. Needless to say that incomplete financing impact the implementation of the educational programs.

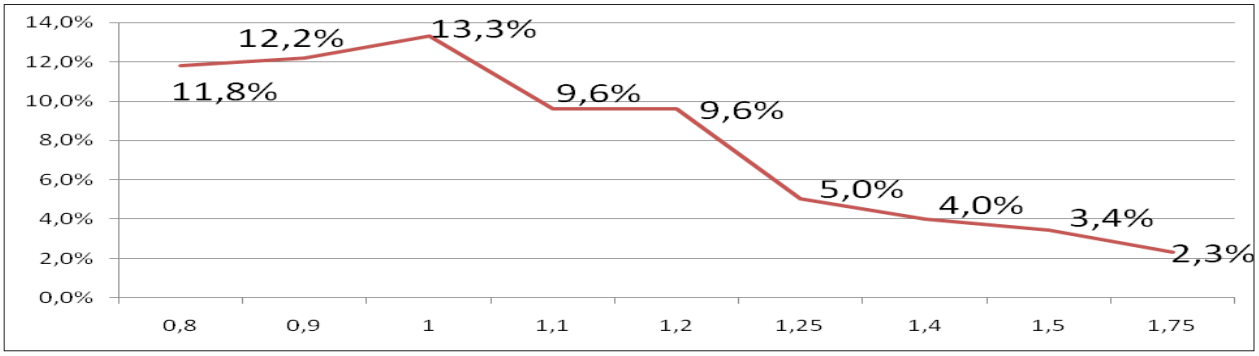
Table 5: Financing correlation on the number of children and other particular characteristics of schools

Index	Corelation
Population, no of inhabitants	0,23
Number of school-age children	0,24
Number of school-age children to the overall population of the settlement	0,33
Share of wages in the total spending for a school	0,55
Share of wages in the total spending per child	0,96
Expenditures related to the hitting costs	0,40

Sourse: Author's calculations, March – May 2008

4.14. The increase of the expenditures volume per child is directly proportional with the lack of institutional capacity of the respective educational institution to have financial resources for the aquisition of methodological supplies, and the actual maintenance of the school. Payment of salaries for teachers is seen thus as the main task of the school, at the expense of the resource allocation for the current standards in maintaining the educational programs. Small schools are becoming thus much more ineffective compared with larger schools, which succeed to accomplish better results with less resources allocated for the children they enroll, in the meanwhile, less effective schools assimilate more and more resources. Thus, schools with highest spending per child have received privileged financing with almost 40% more than in 2007; as a result, spending per child has increased from 23% to 63% (estimated difference is 1 : 2,7 times more), while the average increase was only 37%.

Chart 13: Share of spending for the technical material and methodological support of schools



Sourse: Author's calculations, March – May 2008

4.15. Then, we have tried to analyse the existing matrix of adjustment coefficients at the rayon (sub-national) level, which aims to accomplish the objective of maintaining a ‚fair' positive discrimination to the smalles schools. Methodologically, the rayon officials in charge with operational transfers for the pre-university education take in account the following characteristics: minimum expenditures necessary for the maintenance of a school and the fairness principle in distributing the allocated resources from the public budget. As a result, budgetary process following the following stages:

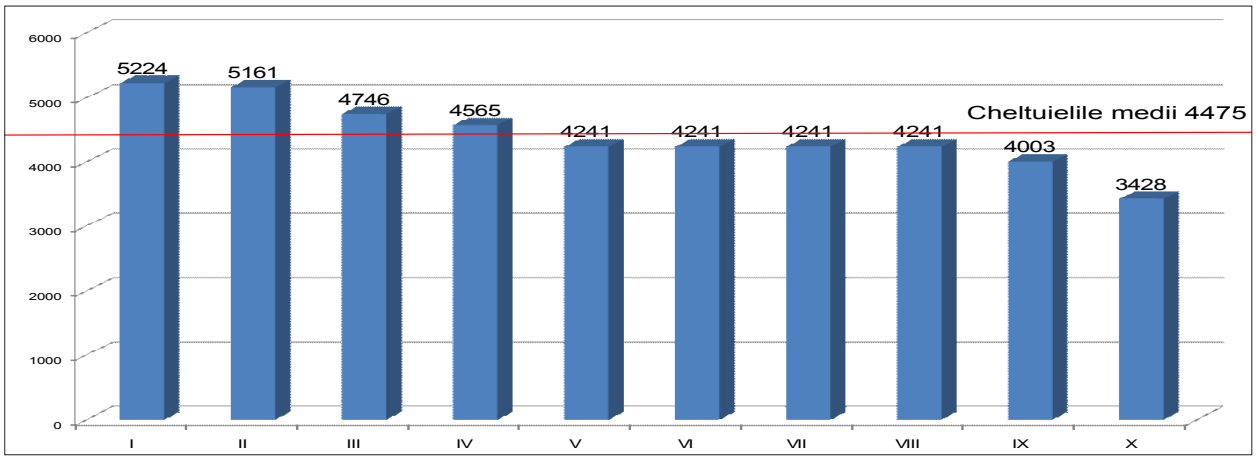
A. Each school receives a kind of reference spending (mimimal compulsory), including:

- wages of teachers, according to the personnel organigrame
- nutrition of children – estimated minimum needs
- thermo-energetic supplies for the hitting system during the winter

B. Lately, a unique share of allocated resources is estimated using the per capita approach, which will thus integrate many other expenditures, and creating thus the mainframe for calculating the school budget. On the basis of a tentative draft of the school budget, rayon administration will set up the normatives of spending per child, establishing the minimum and maximum ceilling criteria, and in accordance with the effective normatives and average indicators provided by the Ministry of Finance, the educational department of the rayon administration will create a series of adjustment coefficients of the normatives ‚k', which will vary from 0.8 to 1,75.

C. The adjustment coefficient shall be defined so that the final ammount will not be less than the minimum compulsory, and that it will not exceed the reference budget. Finally, rayon officials will multiply then the averave normative for the number of children with the adjustment coefficient and number of school – age children enrolled in a given school. What will then appear is in fact the final draft of the budget with expenditures allocated for this school.

Chart 14: Expenditures per child on deciles of population



Sourse: Author's calculations, March – May 2008

4.16. One can depict that the median expenditures are estimated at 4,241 lei, which corresponds generally with the coefficient of 1.00, elaborated by the rayon educational department of Orhei. But, average expenditures will represent 4.475 lei per child. Otherwise, it is necessary to note here that on the basis of the expenditures made by the rayon educational department, the 1st coefficient is set on the basis of minimum expenditures, while the total amount is 61,3 mln lei, out of 64,7 mln lei (94%). In order to allow the maintenance of small and ineffective schools, rayon administration reduces from the begining the average level of expenditures by 5%, and later on, by successive adjustments, it will reorient the financial flows towards the small and ineffective schools. Financing

of the most expensive decile of schools will cost thus with 23% more than the median indicator in the whole rayon, while the maintenance of the most effective schools is equally with 23% more expensive than the median. Current practicces show that in schools enrolling the largest number of children (over 50% of the total), budgets are more underfunded (varying between 5 to 30%) as compared with smaller schools, where only 20% are enrolled.

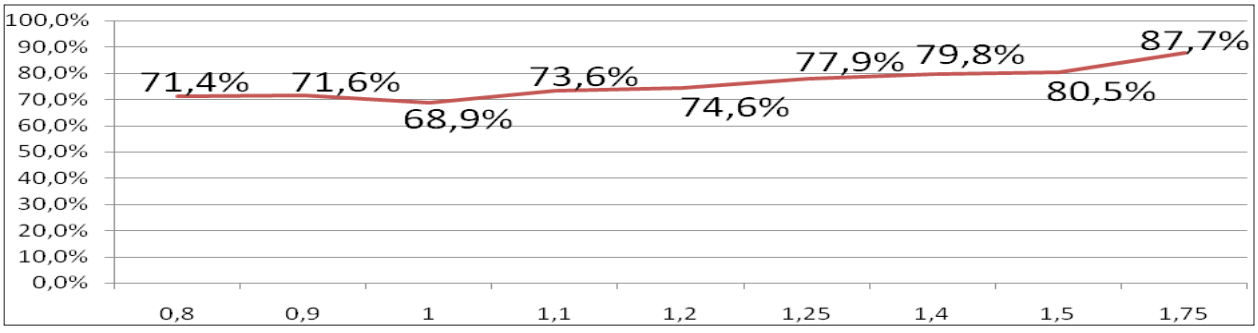
Table 6: Operational coefficients to balance the budget-made allocations for small and large schools

Adjustment coefficient	Committed adjustments
0,8	36,60%
0,9	23%
1	24%-36,6%
1,1	36,5%-50%
1,2	36,6%-64%
1,25	31%-43%
1,4-1,75	36%-60%

Sourse: Author's calculations, March – May 2008

4.17. From the above table, one can clearly see that more effective schools are in fact punnished by rayon administration decisions on budgeting their real expenditures, and they receive less primarily because of the privileged resources oriented towards less effective schools32. Once the adjustment coefficients will increase, the resources spent for the education estimated per child will increase faster, regardless of the education process results.

Chart 15 Share of salary expenditures in accordance with the adjustment coefficients at the rayon levl



Sursa: Calculele autorilor, Martie-Mai, 2008

4.18. At the estimated coefficient of 1.0 , one can see that the wage expenditures represent 68,9%. Accordingly, schools that received their budgets calculated on the basis of this or even less coefficient are subfinanced, and the allocated resources will suffice only for the payment of salaries, reporting a drop of revenues of 10-20% compared with the average coefficient. This will have imediate consequences for the maintenance costs, and methodological or technical endowment of

32 Effective schools, here we understand the effectiveness

these schools. Another conclusion that can be drawn on the basis of our research is that once the increase of the financing coefficient is taking place, then the growth of spending for salaries will follow soon. In other words, the coefficient aims to cover the minimum legal spending related with the payment of the educational personnel. As much as the costs estimated per child will increase, as much as the share of costs for maintenance and technical endowment of the school building and other educationa l premises will decrese.

4.19. Analysing the financial flows allocated by the Ministry of Finance via rayon educational departments, one can very soon conclude that the most important share of spending goes directly to the payment of wages/salaries and hitting expenses, while the educational programs are clearly affected by the lack of appropriate financing. Under the current system of financing, education is visibly less a priority, and more the incentives are provided for the secondary-rank priorities. Consequentially, this situation creates a wrong interface between the demands and offer of the educational services, serving less to find appropriate solutions against the current crisis of education in Moldova. While some of the schools receive more/privileged financing, this does not produce quality, and equally it creates legitimated frustration among the schools which produce more results, with less financing.

5. Distribution of competencies: national and local

5.1. Ministry of Education is the central body responsible for the implementation of the state policy in education,[33] but still, it has no authority to revise or amend spending for its national-wide programs, even when this is consistent with the mandate it currently fulfills. The Ministry of Finance has the responsibility of allocating resources for the schools' maintenance, while the Ministry of Education is the recipient and supplier of information. Planning for education spending is not an easy task, as it is frequently seen as the major financial instrument that creates local budgets in Moldova; on the other hand, budgeting is not only a matter of mechanical distribution of resources from the public consolidated buget – it demand frequent adjustments, when salary / wages for the teachers in schools reach a line, which is acutely perceived by these people, or when the Ministry of Education attempts to implement a series of new and challenging national programs in the education sphere.

5.2. Most public educational institutions are the responsibility of local governments, except vocational schools, colleges and universities, financed by the central government. Legislation does not stipulate the competences of each administrative level, equally it does not guarantee financing from the state, or – the 'minimum package of educational services', as well as financing, which will be provided to every school-age child, regardeless of their preference: public or private schooling. Even if education falls under the competence of local authorities, the municipalities are, de facto, only implementing some delegated functions.

33 Law on education, art.41 – Ministry of Education and Sciences, No.547, adopted 21.07.95

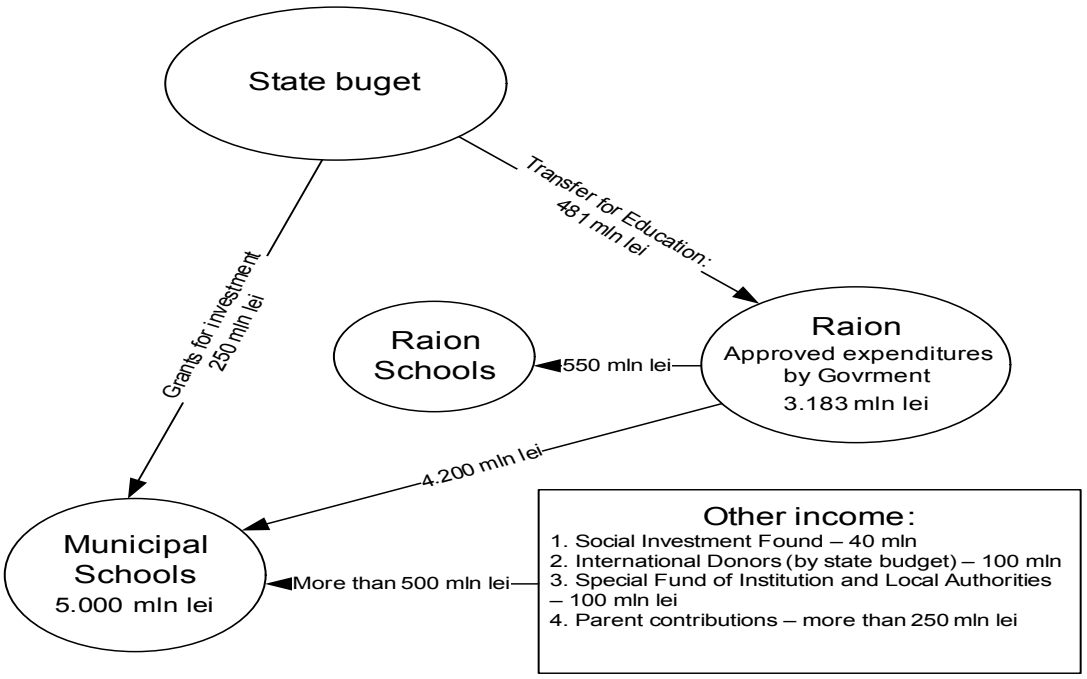
Table 7: Organisation of competencies amongs different tiers of government

	National government	*Intermediary level of government*	*Local governments*	*Other institutions*
Service organization	✓ national policy and supervision, setting new schools, supervising management of district education departments	✓ district coordination, overseeing the staffing policy, and technical situation of schools, staffing	May suggest at the demand of their collectivities creation of new education institutions	**No**
Performance, content	methodology elaboration, education programs, and training for teachers,	methodology elaboration, education programs, and training for teachers,	No	**No**
Staffing	Appointment of directors of lyceums,	Appointment of directors of schools	No. May be consulted.	**School-board Directors may recruit teachers, executive or auxiliary staff**
Infrastructure	National-subordinated infrastructure development and repairs (special schools for persons with physical or mental disabilities), etc. Plan and implement capital investment repairs	District-subordinated nfrastructure development and repairs,	Local subordinated infrastructure development and repairs. Education schools (buildings) are owned by local communities, and this imply spending for operational repairs (not capital)	**School boards manage their properties,**
Funding	✓Salaries and benefits to the educational staff	✓Set up margins of the transfers to local authorities and distribute subsidies (central funding) to local authorities, which they pay salaries to the educational institutions	✓Local governments pay salaries and manage the operational accounts of the schools. Pay for school-meals of pupils and students.	**collect money from the parental council, etc**
Supervision	✓**Supervise the implementation of the national education programs and policies, staffing.**	**Supervise methodological and staffing management of the educational institutions, management of school boards, school coverage.**	**No**	**Parental Boards/ Councils are organized to assist the family involvement (i.e. collection of additional funds)**

Source: IDIS Viitorul, March 2008

5.3. The largest share of the public finances for schools is received as targeted (special) transfers from the national budget to the local authorities. The size of the transfers depends on the number of students and resources are transferred every month through the network of rayon treasuries (deconcentrated fiscal bodies). All services provided by the local authorities, regardless of their nature (local or delegated) are ab initio supervised and regulated by normatives of spending of the MInistry of Finance which, at the end of the day, serve as a basis for creating the new budgets. Schools are financed according to normatives, calculated per student, and including expenditures for the organization of the educational process (maintenance of schools, salaries of teachers, heating costs, cleaning, management, etc), but not such costs as meals, exams, textbooks. Normative spending costs are set up despite the fact that education services are, in fact, delegated public services - clearly a matter of sole responsibility of the local authorities concerned. It should be emphasized that normative costs are higher for pre-school institutions and boarding schools, i.e. with physical disabilities children or special needs. Only in 2005, the transfers made from the state budget hardly could cover 59% of effective school needs. Budget shortage is usually coverd from the local government's budgets, associations of parents, local businesses, and, occasionally, by foreign donors. Resources are channeled to schools via rayon administration. The rayon council decides upon the final amounts to be redirected to the local schools. The formation of the local budgets takes place towards negotiations with each of the Mayor, who tries to get the largest possible amount of revenues transferred, and a desired structure of spending, maximally fitting the local needs.

Chart 16: Operational Chart of financial flows for education in Moldova



Source: authors's complete reference

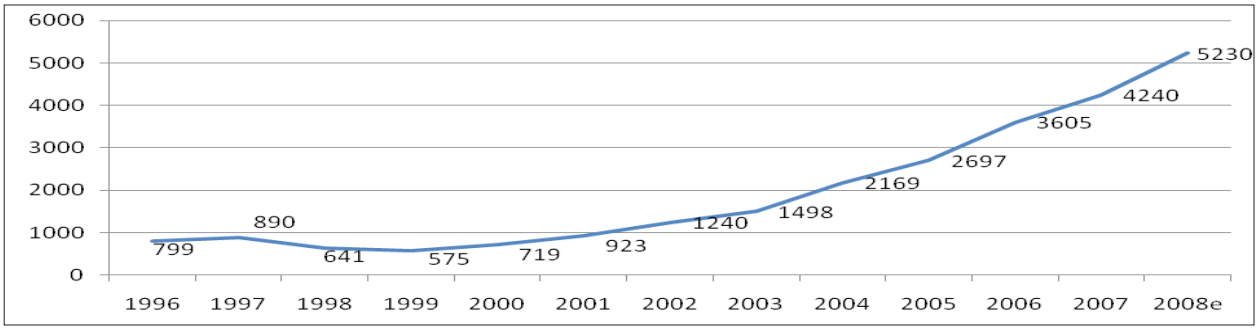
5.4. According to the existent practices, each individual rayon administration receives a total budgeted amount equivalent to the number of children enrolled in their respective schools, which is multiplied with financial normative costs, estimated at the national level by the Minsitry of finance. However, amounts transferred to the schools will display considerable discrepancies: transfers per child could range from 2,500 to 11.000 lei. Most of the educational departments of the rayon administration will set up their own coefficients, before making the decision to transfer what they have received from the state budget. After setting up the 'logframe' with the estimated coefficients of adjustments, rayons will transfer to the local budgets resources which are specially allocated to the functioning of schools. This chain of procedures reveals the fact that sub-national governments in Moldova do possess important competencies for the organization and functioning of the education in pre-university institution. Nevertheless, there are also important problems related to the coefficient elaboration by the education departments, as well as to the negotiations format, per se, between rayons and local governments.

5.5. In most of the cases, negotiations are often of a subjective attributed of the style of work of the concrete subnational governments. There is no any legal act stipulating how the parts in 'negotiations' interact, and how their disagreements can be resolved, once they could appear. Behind closed doors, mayors will bargain with the rayon officials on what they consider to be fair and justified, while rayon officials will downplay the arguments if they are not too interested in delivering the resources to the schools concerned. There are almost no precedents, when the local governments will successfully dispute the allocated resources via a judicial trial. As a result, some mayors will get larger 'pieces of the cake', while others will receive less than expected from the state transfers. Given the impresibile institutional framework, some of the cities and villages / communes are better off due to necessary links and connections, while other cities / villages will find out very difficult to cover even the minimum costs, necessary for the school to act. For instance, if the normative estimated costs per child by the state was in 2006 almost 1,700 MDL, then some of the mayors succeed to get up to 3,000 MDL for one child. These inequalities do not redress essential flaws in financing the infrastructure of schools, nor do they stimulate teachers to stay longer in smaller and badly managed rural schools. Having no competence to deal directly with the budgetary flows for the school needs, school managers are usually less willing to rationalize the spending costs.

5.6. But, educational financing is perhaps one of the most important sources of revenues for the local budgets in Moldova[34]. This made some of the economic analysts to state that 'Moldovan local budgets are de facto budgets for education'[35]. The accountants in mayoralties are usually performing the exclusive accountability of the school institutions, i.e. salary/wage payment, taxes, maintenance costs, but also acquisition of necessary supplies of fuel, coal, technical and other equipments, if any. The approved medium expenditures level for education in the country represents almost 70% of the local budgets for the entire country. Every 10th commune spends for education roughtly 80% of its local budgets. Additionaly, local authorities have to pay for educational infrastructure and maintenance in order to respond to the elementary needs of schools. In most of the cases, these additional funds are far from being enough and parents are regularly adding up to what local authorities have contributed.

5.7. Until 1998, financing of the education at the local level was organized by articles of expenditures. In other words, mayoralties were receiving recourses for salaries, repairs, current maintenance, etc, having no right to redirect resources allocated by the state from one to another article of expenditure. In 1998, the system has been changed, by providing more functional autonomy to the local schools, and thus, every local government entity has started to receive a rough amount of educational budgeted resources in accordance with the number of children, being however free to decide on the rational use of this money. However, the new reform planed in education spending has been immediately affected by the financial crisis of 1998. As a result, budgets for eduction have been disproportionally reduced, while a considerable number of local governments failed into the situation that what they were receiving was not enough to execute the payment of the salary fees to the school teachers. In the same period of time, salary arrears started to grow steadily. Spending for education has been increased gradually until 1997, and with the heavy schock of the 1998 Russian financial crisis, which has directly affected Moldovan economy, it has dropped abruptly and, only by 2001, spending was ameliorated to the level of 1997. It shall be emphasized here that the financial crisis, and its respective implications on the financing of the education, coincided with the reform of the system of educational financing.

Chart 17: Dynamic of the education spending in the last decade in Moldova



Source: Calculated by the authors, March-May, 2008

5.8.. In 1998, average arrears per country represented 3-5 months; while in some mayoralties the salary arrears have reached even 10 months. The overall situation started to improve in 2001, when local governments began to cut off arrears in education. Nevertheless, underfunging of education of the period of 1998 – 2001 was still felt in many aspects of the school functioning. Often, local governments have used their decisions to redirect educational budgeted transfers from salaries to maintenance, and therefore, this was the basical reason why in 2004, the central government decided to intervene and ruled on that salaries for teachers shall be paid directly from the 2nd tier / rayon administration. As a rule, local governments plan what to pay for the school spending (salaries including), but in fact, they cannot administrate effectively the money they receive from the central government, and as a rule, they are simply deposited in a special account for school. As a result, 70% of the local budgets were directed to educational spending, out of

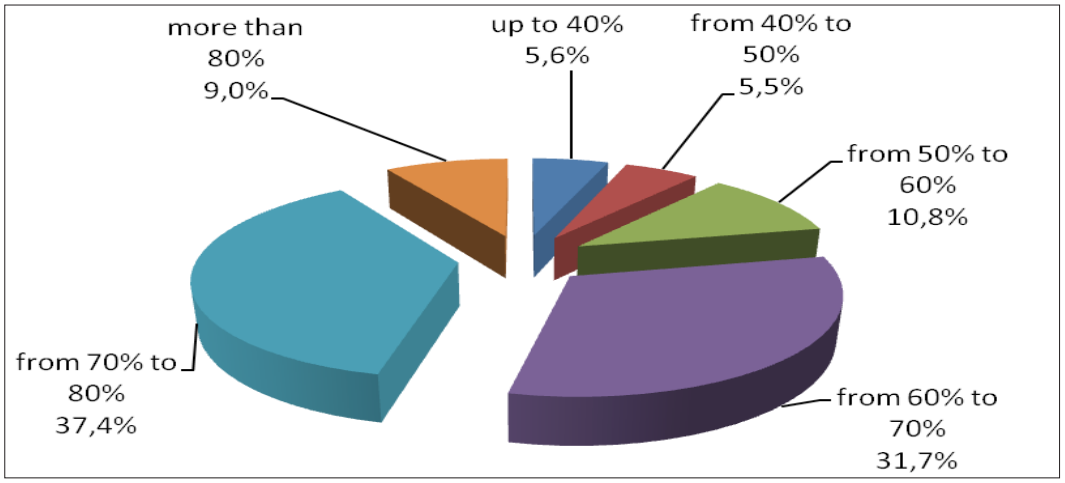
34 Report 'Evaluation of effective democratic local governments in Moldova: independent assessment prepared by IDIS', September 2006, presented to the Council of Europe

35 Veaceslav Ionita, Policy Brief 'Capital Investments and low pace of fiscal decentralisation', Spring 2007, IDIS

which 80% were paid as salary for teachers in most of the local governments. Accordingly, 60% of the local budget is specifically allocated to pay the professional work for teachers. And, although the local budget is approved by the local council, it cannot be amended or changed, due to the fact that the educational funding (salaries) is regulated by laws imposed in 2004 by the Ministry of Finance, and local mayoralties cannot decide on their own. As a result, local governments can manage only 40% of the budgets they approve. Since 2000 till now, spending for education has increased in average with 28% annually, varying from almost 21% in 2003 to 45% in 2004 (min and max).

5.8. We can conclude that this situation is a consequence of several other factors. First of all, the mechanism of transfer of the state educational financial flows is not yet regulated by legislation. Second, decisions are taken at the rayon level by the educational departments in strict violation of the main principles of accountable and transparent government, as it creates various reasons to suspect rayon officials of providing direct or indirect benefits to some of the political groups at the expense of the others, having a broad range of discretion, which further reduce the legitimacy of these decisions. Third, coefficients which are estimated and employed by the rayon administration, in most of the cases, do not reflect objective and measurable facts, thus it provide quazi legal underpinning for considerable modifications of the normative in financing education. No legal acts regulate the evaluation of coefficients of adjustment, which thus foment suspicions and create channels of unloyal competition. In the same time, officials in charge with the competence to re-distribute educational resources from the rayon to the local budgets fail to consider many other criteria that are essentially important for schools: space used or not used by the respective schools (as compared with the projected original capacity), type of the hitting systems (coal, wood, gas or electricity), or the average number of children in classes. Ignoring these criteria will certainly reduce and oversimplify the reasons why some of the schools shall receive more financing for the same or even smaller number of children, while paying too limited attention to the real issues pertaining to the quality of educational services.

Chart 18: Educational expenditures of the local budgets



Source: Calculated by the authors, March-May, 2008

5.9. As a result, the system will reproduce clientelle-based relationships from the central government to the rayon governments and from there – directly to the local governments (municipaliteis and communes). Schools will get privileged financing when personal (or party-affiliated) relations will be splendidly in line with the party ruling the respective level of governance, or their financing will stagnate, when the school mangers will be suspected of being in ‚conspiracy' with some of the opposition parties. Few elements will speak in favor of a modern school management, based on objective and verifiable criteria of financing the quality of education. Unfortunately, local governments are equally vulnerable against the rayon administration, as the schools (primary or secundary). Due to the fact that effective decentralisation of

local finances has not yet been implemented in Moldova, local governments are challenged by a constant shortage of funds. Despite the laws adopted in 2006 on decentralisation, local authorities could hardly sustain their offices without receiving subsidies from the central government. Many other competencies refered to the local governments remained in air, as mayors cannot allocate necessary resources. In the same time, other competencies delegated by the state are not always transmitted with the necessary finances. When, local governments do not accomplish delegated tasks, they are usually sanctioned by the central government. In this respect, education transfers represent one of the most stable sources of revenues to the local government, even if these resources shall be further transmitted to the schools. to many local officials, financing of education creates a faulse illusion of having their ‚own money' at the disposal of the community. Mayors feel that they can administer large amounts of resources, despite the fact that they will finally upload the resources to the operational needs of the school, without even consulting them. So, salary / wage payments will be transfered imediately and without any possible chnage of the estimates. The same is valid for the maintenance costs, small as they are estimated from the spending per capita resources.

5.10. Schools have their directors, which combine oversight responsibilities over the educational process, as well as general management of the most important areas of maintenance for the school: hitting, housekeeping, lighting, guarding, recruiting of technical staff and teaching personnel, etc.. Nevertheless, schools are indirectly financed via the local government's budget. Local governments (primari) inform school managers over the changes of the legislation, but this information is equally reproduced and transmitted by the rayon educational departments, financial and budgetary departments, etc. Sometimes, school managers try to increase their share of allocated resources by soliciting the amendments of the budgets, due to a sudden increase for hitting, or electricity, etc. Not always this kind of initiatives are welcomed by the local governments in the way of implementing their budgets. For instance, the rise of costs for hitting or electricity affects everyone, i.e. township or mayoralships offices as well. As a result, school managers may request higher authorities to intervene and assist them to cover the lacking resources, or when they fail to achieve any results in direct negotiations, they warn to close down the school, something that will anger Ministry of Education, and thus, various pressure factors will intervene to solve a situation in crisis.

5.11. Sometimes, mayors attempt to modify the destination of some expenses, in a similary way as rayon authorities try to modify the allocations from the state budget for education purposes, on the basis of the same general normative estimates, existing at the national level. Financing of the education include: (a) current spending for education, and (b) capital investments (renovation works, repairs, or complete reconstruction of the school premises). Difficulties faced by the local governments in collecting local taxes make them highly dependent on state subsidies, i.e. the special transfers for schools. As a result, 70% of the total volume of all local budgets is made up from the resources transfered for education spending. Every 10th settlement (village, town or even municipality) spends almost 80% of its budget only for the primary and secondary education needs (salaries and maintenance of the school). In addition, local governments should finance the maintenance of the educational infrastructure, as a condition for its good functioning. In most of the cases, these suplementary financing opportunities hardly meet school requirements; therefore, the school managers apply regularly to the parents of the school-children enrolled in their schools, who are requested to contribute, adding thus critically important funds to the resources already allocated by the state. If rayon administration may redistribute educational subsidies from the state budget so easy, it means that neither the mayors nor the school managers (directors) can be found as accountable for their own budgets.

Table 8: Expenditures on meals from national budget, mln MDL

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total	35,1	69,2	73,8	78,6	62,9	53,3	55,3	62,2	78,0	91,3	116,1	131,5	188,3	
Pre-school		31,7	31,3	34,1	30,2	27,5	28,8	30,2	33,3	41,7	60,9	83,8	112,2	
Primary and secondary compulsory	17,5	24,6	30,9	42,9	32,0	25,1	24,8	29,6	42,0	46,2	49,3	40,2	65,7	

Source: National Public Budget, Childrent of Moldova, Statistica Moldovei edited by UNICEF in 2008

5.12. Structure of financing raises also several problems to be discussed. The final ammount which will be spent by a school manager on salaries is determined by the number of hours dedicated to school, which is on its side set up on the basis of the estimated class hours, regardless of the number of children in classes. Due to the existence of a vast number of schools with very small classess (5 – 12 school-children), salary matrix – calcualted on the number of classes – exceeds the amount calculated subsidies for education, made up on the basis of pupils enrolled in school. Thus, in many schools, the priority orientation of allocations / transfers recieved for salary expenditures overstretch the budget, leaving almost no resources for furniture, methodological support material or repairs. As already mentioned, the final budget make up will depend exclusively on negotiations capacity for rayons, Minsitry of Finance and Mayors. Mayor Offices will want to show less planned revenues for the coming years, in order to get additional ‚space for maneuver', while rayons will want to negotiate their budgets following the same tactics when the elaboration of the local budgets will proceed with the Ministry of Finance.

5.13. Local budgets will be approved on the basis of expenditure normatives, on the one hand, and revenues approved through transfers, on the other hand. If the revenues collected on the local level are less than expenditures, then the existing deficits will be covered by transfers from the state budget. Thus, each mayor will plan less revenues for the upcoming year in order to get more transfers from the public budget. If the effective revenues are more important than those planned in due time, then the shortage of resources will remain as a rule in the local budgets, but if the revenues will be less, then no any other authority will cover the financing deficit. As a rule, local authorities will plan ahea what they will transfer for the expenditures related to the education, i.e. salaries, but, in reality, they are by default unable to manage autonomously and efficiently the resources which they receive for educational needs (i.e. salary expenditures), which are in fact deposited on a special count of the school, opened up by the rayon accounting offices of the Ministry of Finance (treasories). As a result, over 70% of the local budgets will be oriented towards the expenditures directed to primary and secundary education. And, due to the fact that local budgets are approved by the local council, this cannot be amended or changed, as the financing for education (salaries) are regulated by elaborated normatives, set up by Ministry of Finances since 2004, which cannot be replaced by local mayoralties own regulations. It appears that local authorities can manage not more than 40% of their budgets.

Background information: the structure of public administration of Moldova

Despite the adoption of a fairly well-arhitecture of laws and regulations, Moldova still keeps a very centralized system of governance, reflecting a huge concentration of resources and organizational / functional capacities in the hands of the central administration or, with some exceptions, at the second tier of rayon administration. The country ha 32 sub-national local government, calleds rayons, which are seen as a 2nd tier of local government, and almost 986 of communes and 54 of cities and municipalities.

The average number ofinhabitants in a commune is less than 1000 of inhabitants.Rayons might have from 26 thousand to almost 130.000 inhabitants. The over-fragmentation is not conducive to effective use of local resources and good governance. The largest part of the current communes and cities are dependent on governmental subsidies. They are too small, and have little internal capabilities to contribute to the economic-social development of their communities. Only two municipalities out of 901 do not receive

transfers from the state budgets: Chisinau and Balti. National wealth is clearly concentrated in the capital city, where almost 60% of the GDP is concentrated,

The delegated responsibilities of the local authorities include such "expensive" responsibilities as public safety and social security, which are supervised by the territorial offices of the central Government.

Over 200 of the current rural settlements have no manageable economic or financial basis, being subsidized entirely from the central budget. The general pattern of the budget drafting procedure in Moldova follows usually a rather centralized pattern, which has been criticized by the Rapporteurs of the Council of Europe36. The national government estimates the share of the national budget, which may be spent for financing the public services provided by local authorities , calculating the per capita expenditures and working out methodological norms

6. Teacher's salaries: less stable, less predictable, and less precise?

6.1. Teachers wages are statistically amongst the lowest in Moldova. Salaries represent between 30 to 60% of the budgets allocated for education spending at the local level. As the budget is made up on the basis of normative allocated per capita, larger schools have actually more money and resources to administrate, while the level of salaries are directly dependent on the classes formed by the schools. Salaries are estimated on the educational degree of teachers as well.

Table 9: Salary of teachers in Moldova

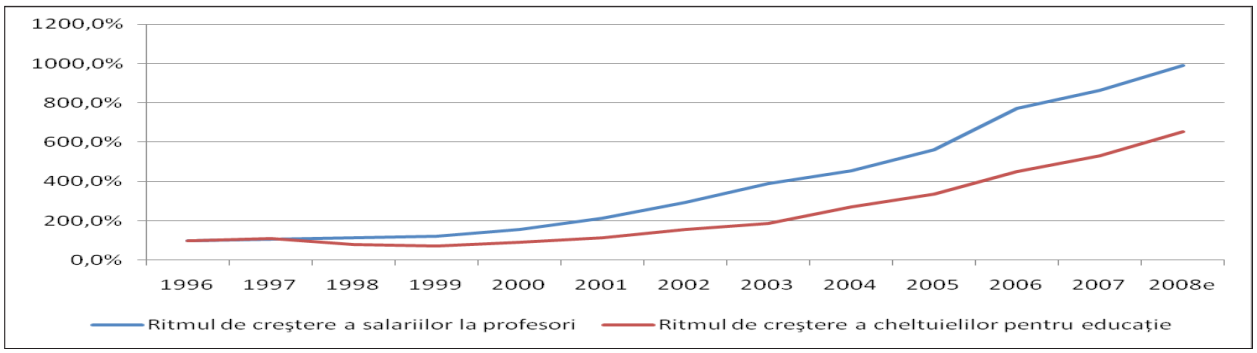
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008e
Salary of teachers	156,7	170,9	183,0	193	247,7	336,9	463,3	610,2	710,7	881,8	1209,3	1351,0	1550,0
Statistical average salary	187,1	219,8	250,4	304,6	407,9	543,7	691,5	890,8	1103,1	1318,7	1697,1	2065,0	2600,0
Inflation rate	124,0	112,0	108,0	139,3	131,2	109,6	105,2	111,6	112,4	111,9	112,7	113,7	113,0
Minimum consumption basket	-	-	-	-	-	468,7	538,4	628,1	679,9	766,1	935,1	1099,4	1320,0
Average/ Professors	83,8%	77,8%	73,1%	63,4%	60,7%	62,0%	67,0%	68,5%	64,4%	66,9%	71,3%	65,4%	59,6%

Source: calculated by the authors, march – may 2008

6.2. Economic situation of teachers was not excellent ever, and their salaries were below the average salaries in economy, which inclined many economists to call them 'the most disadvantaged group among budgetary categories'. But, a considerable marginalisation of the teachers's standing took place during 1996 – 2000. Statistics show a period of relative improvent, with intermittent growth and declines between 60-70% of the average salary in the country, while since, we can see another polarization of the teacher's standing among other budgetary categories. In 2005, the Parliament of Moldova adopted a new la on salary calculation for the budgetary field, which provided considerable increases of salary for teachers. Since 2006, the growth of the education fiancning is mainly driven by the need to ensure the implementation of the salary law, but the budgetary hardships of the 2007 made the Government to apply the Parliament with a request to postpone the implementation of the salary law in the budgetary field, which has been captured by the map presented below. In conclusion, we can assume that the financing of the education is strickly correlated with the teachers salary dynamic, and has no any correlation with the state policy in the field of education.

36 Report 'Local democracy in Moldova', provided by Pascal Mangin, Explanatory Memorandum, Council of Europe, October 11, 2005

Chart 19: Rate of salary growth and rate of general spending for education

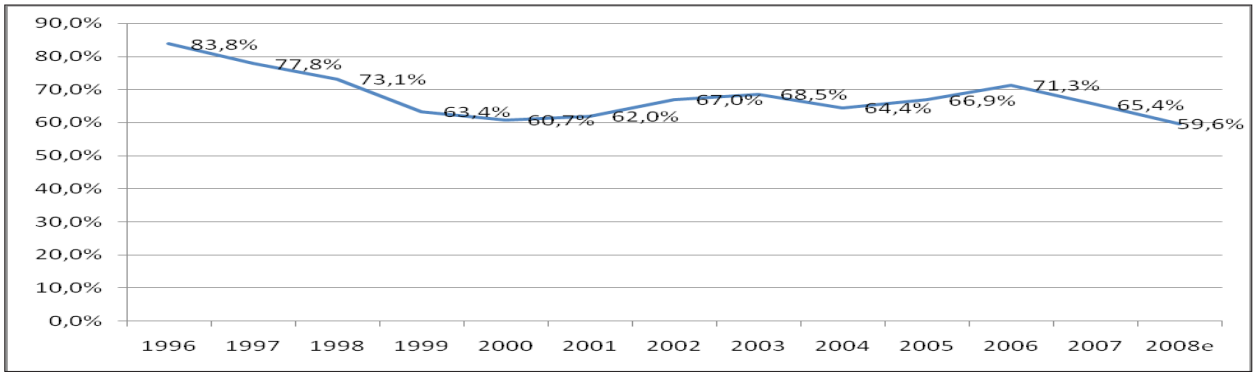


Source: Calculated by the authors, March-May, 2008

6.3. The average salary growth in the field of public education registered in the last decade higher rates than the growth of the overall financing for the educational system. This has forced to enlarge the share of the salary expenditures among other educational spending, and has reduced drastically the capacity of the local governments to maintain the current infrastructure of the educational system in good conditions. As a result, the accelerated salary dynamic compared to the rest of expenditures less financed has discredited the balance between infrastructure statute, development, and maintenance, assisted with the efforts of the local authorities. Considering their specific difficulties in propping up their own financial autonomy, one shall realize the whole complexity of letting local authorities to be responsible for the maintenance costs, similar with the technical equipment, sewerage, lighting, and other facilities. Inappropriate structures of financing the education in the pre-university institutions jeopardize the quality of the education programs, and demotivate teachers to serve professionally their mission.

6.4. One can easily observe that the gap between average salaries in economy and the teacher's salaries has started to widen again from 2006. The logic behind this is that the Government does not pursue an educational policy to deliver qualitative educational services to the population, but mainly to use its scarce budgetary resources to maintain a burdensome budgetary field with too many employees. Two main tools have been employed by the Government: budgetary rise with 29% annually, and salary payments was privileged amongst other expenditures. The paradoxical situation is that if in 2006, Moldovan Government could somehow face the widening gaps due to an increased flow of revenues, after 2007, this seems to be almost an impossible mission. The revenues collected by the state budget started to freeze, while the maintenance costs for education institutions cannot be anymore reduced. The highest rate of spending for education in GDP registered a 10,2% in 1996. During 1998-2000, spending for education has abruptly decreased registering a lowest rate of 4,5% in 2000. From 2001, spending started again to recover its positions, and getting closer to a stable 8% for the years 2006 – 2008. Statistics show that Moldova has not yet reached the level of educational financing share for 1996.

Chart 20: Teachers's salary compared with statistical average salary in Moldova



Source: Calculated by the authors, March-May, 2008

6.5. In addition to the salaries, teachers may receive different bonuses, fees for the number of students, up to 30%, managerial degree, or didactic degree. In some schools, salaries make up 80% of the total education spending. Usually, when the school lacks funds for heating, then local authorities cannot help (004), but, if the school has succeeded to make some economies on children nutrition, then the local authorities will give no money back to the school. The rest of the money are insufficient to ensure the minimum necessary for the functioning of the schools and the town halls are constrained to allocate to education the own money, initially destined to other activities. This way, presently, the vast majority of town halls at community level provide only one single service – education.

Table 10: Case study: Wages for teachers in the „M.Sadoveanu"Gymnasium, Pleşeni, Cantemir rayon

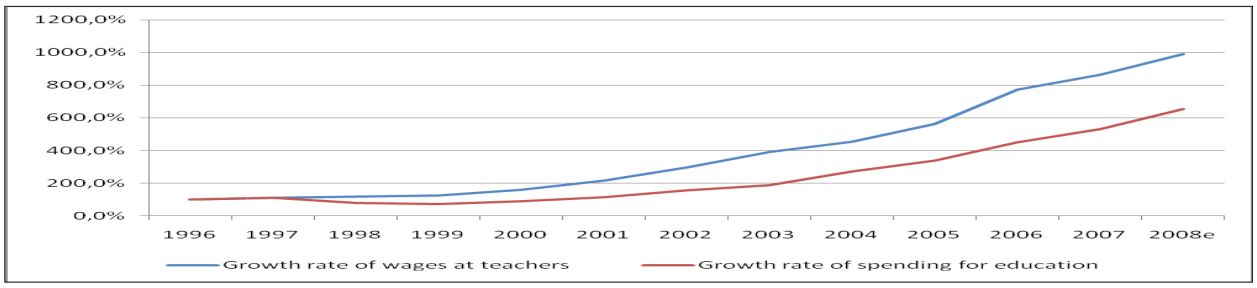
	2007	2006	2005	2004
planed	**1036,7**	**718,2**	**727,1**	**560,8**
amended	**1122,0**	**946,1**	**719,0**	**585,2**
executed	**1058,5**	**928,3**	**700,1**	**583,8**
effective spending	**1071,2**	**949,9**	**697,3**	**591,4**

Source: Data collected for the Study 'Spending for Education', March – May 2008

6.6. Non-teaching staff costs have a disproportionate share of expenditures in the total salary costs. Although there are no ideal receipts, OECD average represent only 27% for non-teaching staff, against 37% paid in Moldova. School managers explain the differences by emphasizing the unstable budgetary situation and the need to allocate more staff to resolve the maintenance and house-keeping obligations. Analysis of the school budgets draws us to the conclusion that spending for non-pedagogical personnel has a rather disproportionate share in the total costs of salaries for schools. Directors say that they seem to be oblidged to allocate more personnel to maintain classess in which they have not made regular repairs, or because of the poor insulation of the windows, energy loses generate high spending for the winter hitting. Another factor that relates to the exaggerated costs in the maintenance is related to the school space, hardly used in the most effective way, as well as lightening system. Dates collected by IDIS show that the rate of space rational use in the primary and secondary schools decreased in the last years: from 85% to 79%, and will continue to be reduced to almost 50% in 2010.

6.7. Profesorii şcolari primesc suplimentar la salariile oferite lunar şi diverse bonusuri salariale, plăţi adiţionale pentru numărul de elevi în clase, circa 30%, plăţi pentru dirigenţie, pentru funcţii administrative, pentru grade ştiinţifice ori didactice. În unele şcoli, salariile formează circa 80% din cheltuieilile pentru educaţie transferate de la bugetul de stat. De regulă, atunci când şcolile resimt un deficit de finanţare pentru încălzire, atunci administraţia acestor şcoli apelează la autorităţile locale pentru ajutor, solicitând rectificarea bugetului. For instance, as the data show, heating costs are severely increased by poor insulation of the school buildings, large amount of space utilized per student, as well as inadequate management of the existing heating systems. While the number of students in each school has dropped, the available space of the school buildings remained the same. Data shows that the proportion of the school space utilized in primary and secondary schools fell from 85% to 79% in average, and it was expected to fall 50% in 2010.

Chart 21: Correlation between the wage growth and general spending for education



Source: Calculated by the authors, March-May, 2008

6.7. Comparing the salary payments and maintenance costs, we found that from 1997 till 2000, costs for maintenance of schools have been practically neglected, registering a large gap, with salaries being stabilized for a while. The Salary crisis that was so profound in the educational field during 1998 – 2000 was provoked in fact by the central governments who decided to rise unilaterally the teacher's salary, but leaving a discretional space to the local authorities, who decided instead to balance this change with the needed consumption needs, usually related to the heating, lightening, electricity and other maintenance costs. In sum, this responded with heavy arrears. Since 2004, when the salary payment became a competence of the 2nd tier of local governments, we could see a sudden increase of the educational funding, exceeding the average salary growth in economy.

6.8. Teachers wages are the lowest, statistically, in Moldova. The level of wage allocated for the employeed staff in the preuniversity institutions is one of the lowest, exceeded only the the salaries in agriculture. Thus, if the monthly revenues in the banking sector registered 549,1% rise in 1999 compared with the average salary in economy, the average salary of teachers represented in 1999 only 63,4% of this indicator, in 2006, this was estimated at 71,3%. The nominal value of salaries for school teachers was in 1999 about 193 lei, compared with 1672,5 lei in the banking sector, 438,8 lei in the public sector and 518,6 in industry. In 2006, employee of the public education received a nominal salary of 1333,5 lei, while employee of the banking financial sector rose to 3,866 lei, and in the public sector – 2,164,3 lei.

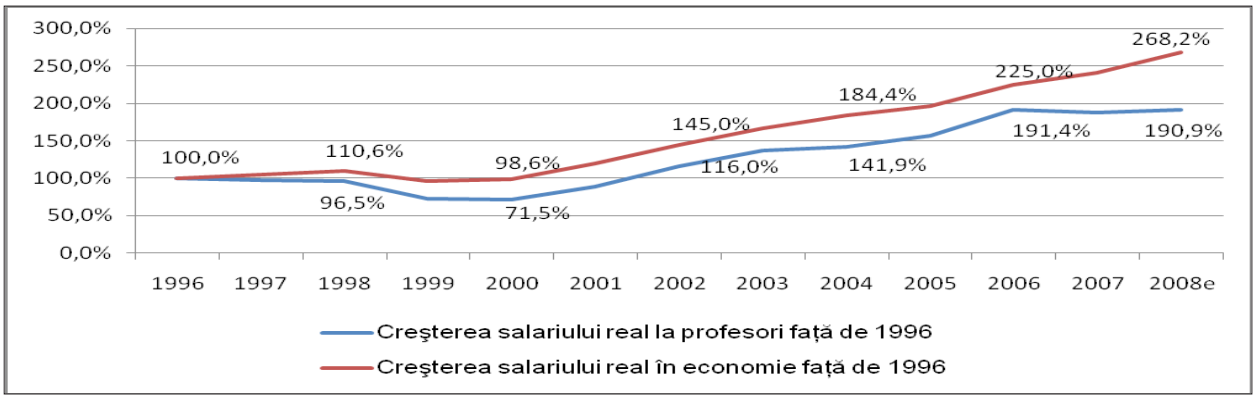
Table 11: Monthly Average Salary (MDL)

Types of activity	March 2008	March, 2008 as compared with March, 2007, %
Total	2371,2	127,0
Agriculture,hunting and crop growing	1230,0	129,9
Fishing	1343,8	118,2
Industry	2836,4	118,7
Mining	3425,1	127,4
Food processing industry	2580,6	116,5
Food industry	2558,0	116,8
Beverage industry	2180,9	119,1
Thermal and Electricity energy	4040,9	126,3
Constructions	3303,0	119,8
Retail trade	2301,0	126,8
Hurrica	2080,5	122,5
Transports and communications	3488,9	117,1
Banking	5061,6	132,3
Real estate business	3023,2	129,4
Public administration	2591,5	115,7
Education	1632,1	136,2
Health and social assistance	2101,0	154,5
Other services, i.e. privately provided	1920,0	131,7
Sport and cultural activities	1669,4	141,3

Source: National Statistical Bureau

6.9. The obvious gaps in incomes place teachers among the most disadvantaged professional groups of Moldova, which could be treated as a 'social vulnerable group', comparing to other budgetary categories. Analysing the dynamics of the salaries per economy, one can remark that the worst situation went through 1996 – 2000. Official statistics show that a slight improvement of the teachers started with the year of 2000, with a relative growth and a drop amounting to 60-70% from the average salary in economy. As it is clear from the table below, this is a consequence of the clear and rigid polarization of the social economic market place, with teachers as an affected group, as compared with other professional categories and groups.

Chart 22: Comparing teacher's average salary and the average salary in economy with 1996 wages



Source: Calculated by the authors, March-May, 2008

6.10. One can observe that the gap between effective salary of the employees in the public education system started to widen again after 2006. A possible assumption is that by 2009 the gap will reach the top of 2000. We explain this state of affairs by the fact that annual allocations for pre-university education from the state budget are not enough, while the usefulness of such a system is doubtful. Pressed by its own budgetary limits and considerations, the Government of Moldova has to invest the largest part of its public budget for salaries, which continues to remain rather low, if compared with the nominal salary in economy, wavering a convincing decision to rationalize and make more effective the use of the resources through the current system of public education in Moldova.

6.11. The logic behind this behavior suggests that the Government use lots of its scarce resources to maintain a rather large public sector (almost 30% of its resources are consumed by the public sector institutions and spending), and employ a large number of employees, badly paid, instead of focusing its policy targets on the increase of educational services delivered to the population, and of creating strong incentives to rationalize the system expenditures. Only two financial policy targets can be understood from the analysis of the financial statistics of the last decade: annual growth with 29% of the spending for education, as well as the privileged remuneration of salaries, compared to other expenditure devises in the education sector. The obvious paradox of this situation is that already in the year of 2006, Moldovan Government could face the growing disparities between the average salary in economy and the wages paid to the employees of the public education institutions, thanks to a rather generous performance of collecting more supplementary revenues to the state budget. But, this performance is hardly credible in 2008, as it was already proved in 2007, and the budgetary revenues will stagnate in the coming year as well, partially due to the liberalization initiatives of the economy, partially due to the 'freezing' of the economic growth across the region. It seems to be clear that the costs for the maintenance of the pre-university education institutions cannot be anymore reduced, and this is equally clear to the Ministry of Finance.

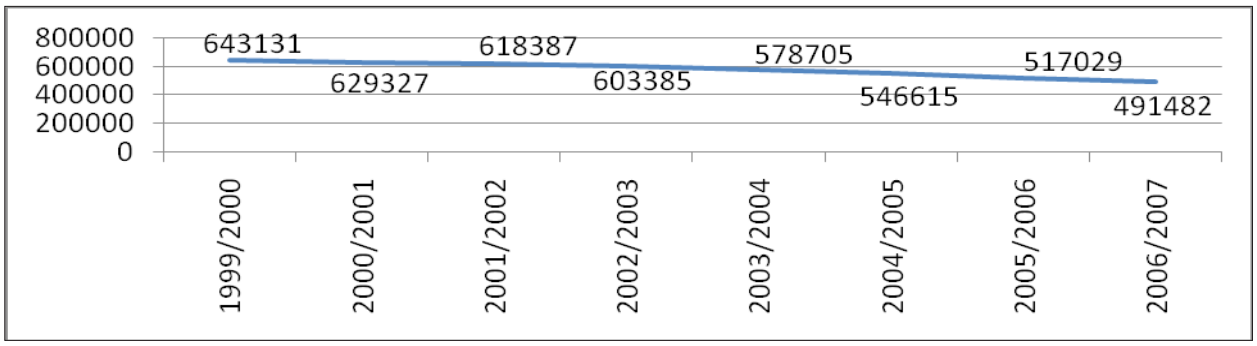
CHAPTER II. PROBLEM ANALYSIS: EVALUATION OF THE PUBLIC EDUCATION

1. Priorities in the reformation of the pre-university education in Moldova

1.1. Moldova inherited a relatively high level of literacy from USSR, but social inequalities quickly after 1991 independence had sharply reduced the access to the quality education for considerable social groups. This situation started to worsen school attendance and enrollment rates at all levels of public education: primary and secundary. Political and economic transition (from the total controlled state towards a democratic and participatory democracy, and from a hypercentralized economy towards a functional market economy) has created huge pressures on the states and public budgets, whenever it encompassed the feasibility of educational services, ensured and guaranteed by the state[37]. The structure of the public education has witnessed already important changes. The system has been modernized through the separation of the gymnasial and lyceal education from primary schools, creation of vocational polivalent schools, with several levels and degrees of education, compulsory and facultative[38]. Nevertheless, inequalities related to the ensurance of the free access to general studies and compulsory education have not been reduced, but exacerbated. Lack of adequate resources for the acquision of methodological supplies and equipment in schools, miserable salaries for school teachers, as well as the existing system of transfers for education needs have further aggravated the overall situation of the compulso ry public education in Moldova.

1.2. Current situation shows that old problems still remain on the agenda of unresolved issues. Access of the children from poor families to the public education services still remain quite limited. Data reported from the household survey[39] show that the net rate of enrollment in the system of pre-school education for children from the poorest quintille is about 36% in 2004 as compared with 80% for children of the last quintille of the population with better – off revenues. The net rate of coverage for all levels of education remains until today rather limited if compared with the standards of the countries with a high rate of human development. The educational index in Moldova reduced from 0,564 in 1993 to 0,503 in 1999, but has succeeded to grow rapidly till 0.892 during the years of 2007 – 2008. Starting with the year of 2003, the rates of enrollment for the primary and secundary educational systems increased constantly. To ensure the universal access to the primary compulsory education. The Moldovan Government has intended to ensure a general rate of enrollment larger in the primary education: from 94,1% in 2002 to 95% in 2010, 98% in 2005[40]. Moreover, the net rate of enrollment in primary education was in 2004 of 94%, while the general rate of enrollment in the secondary upper education was 45%, which make up only half of the general index registered in the EU and South-Eastern European countries. Generally, the process of closing down the pre-school institutions reduced the access to education for children aged 1-5 years. Today, Moldova is still low under the average level of enrollment for countries in transition (50%), better than in Ukraine, but much worse than in UE and Romania (72% and 70%).

Chart 23: Dynamic of school children in Moldova



Sursa: Calculele aparţin autorilor, Martie-Mai, 2008

37 The first law on education was adopted in 1995, one year after the adoption of the Moldova Constitution (July 1994)
38 Elaboration and implementation of new educational programs, on the basis of national and universal values, development of new handbooks for primary schools, lyceal and gymnasial education, implementation of the program of lending shcoolbooks, trainng of teachers.
39 UNDP, National Human Development Report, 2006, The quality of economic growth and its impact on human development, p.72-78
40 Legea nr.295-XVI din 21.12.2007 pentru aprobarea Strategiei Naţionale de Dezvoltare pe anii 2008-2011, anexa nr.2 „Obiectivele de Dezvoltare ale Mileniului: ţintele şi indicatorii revizuiţi".

1.3.The main policy document of the government for education is the State Program of Educational Development[41], which provides for the implementation of the Law of Education and other secondary legislation. Public education is regulated by the Law on education. Another important policy document is the Poverty Reduction Strategy Paper (EGPRSP)[42], which puts forth the three pillars of the "government's poverty reduction strategy: (i) sustainable and inclusive economic growth that will provide the population with productive employment; (ii) human development policies emphasizing increased access to basic services (especially primary medical services and primary education); and (iii) social protection policies targeting those most in need". Therefore education, along the economic growth and protection of those in need, is considered one of main pillars for sustainable development of the country. One can recollect positive results of the EGPRSP process, although the final conclusions drawn at the end of its overall assessment state that it produced mostly mixed results, sometimes vague and too general, without going too far from the 'declarative mplementation'[43] mood, and having less visible consequences on the individuals, despite active support from the foreign donors that assisted the country.

1.4. Another important orientation document for Moldova is reffered to the Millenium Development Goals. The MDG targets for 2010 and 2015 in Moldova define a complex set of policy measures aiming to:

a. increase the gross enrollment rate for general secondary education from 94.1% in 2002 up to 95% in 2010 and 98% in 2015;

b. maintain the literacy rate for the 15.24 year-old population at the level of 99,5%;

c. increase the enrollment rate for pre-scool programs for 3-6 year old children from 41.3% in 2002 up to 75% in 2010 and 78% in 2015, and for 6-7 year-old children from 66,5% in 2002 up to 95% in 2010 and 98% in 2015 and

d. reduce by less than 5% the discrepancies between rural and urban areas, between disadvantaged and middle income groups'[44].

1.5. At the end of the EGPRSP process, the Moldovan Government adopted a new national strategy development document, called National Development Plan (NDP), whose implementation is provided for the years of 2008 – 2011. The new orientation document envisions the key-policy priorities for the country's national development, setting up the prioritization criteria, and specific responsibilities allocated to the executive agencies of the country. Authors of the NDP openly state that its priorities aim to adjust the policy framework of Moldova to the administrative, economic and social space existing in the European Union, guided by the Copenhagen criteria, assimilation of the acquis communitaire in the domestic legislation, diligent implementation of the European norms and standards.

1.6. Educational reform shall consider all these changes in the upcoming years, and provide a sound basis of changing the structure of spending for pre-university institutions. The new reform shall revise the sharing of competencies between the current tiers of government, setting up the effective needs for decentralized government, fair access of children to school, optimization of costs for education, and effective use of the educational institutions/networks. The new reform shall further strengthen the separation between various levels of pre-university education: primary, gymnasial and lyceal, which is quite mixed, prolonging the traditions of the Soviet school (general education: a mix between pre-school, primary classes and general classes until 10).

41 Law No 337-XIII/1994

42 EGPRSP was approved in 2004 by the Moldovan Government providing a policy framework, primarily focused on 'improving citizens standards of life and the social protection of the poorest persons, creation of new jobs, especially for the poor, providing access to qualitative medical services, and developing qualitative human capital through scientific and education development'. The EGPRSP is seen as a part of the global efforts for eradicating poverty, described in the Millenium Declaration – UN Millenium Guidelines, Human development – objective of prime importance, signed by Moldova in 2000

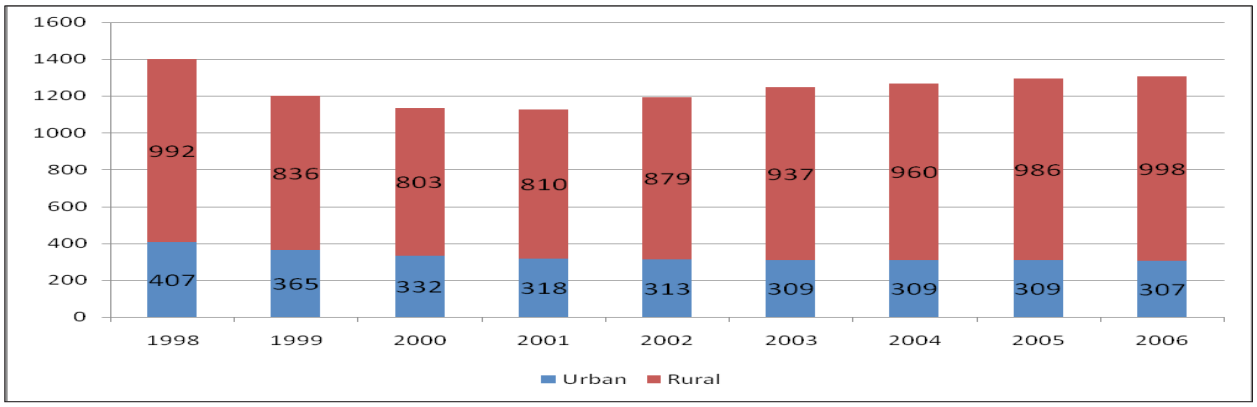
43 This conclusion appears from the EGPRSP Evaluation report (2005 – 2006), as well as from the monitoring and evaluation reports of the EU – RM Action Plan (August 2006, November 2007, March 2008).

44 Along with other 191 countries of the world committed to achieve the Millenium Development Goalds (MDG) by 2015. These goals are pursued by the Government of Moldova through the medium and long-term agenda set through the National Development Strategy (NDS). The MDG targets for 2010 and 2015 were set in consultation with various national and international organizations through a consultative process. More about MDG in Moldova on: www.undp.md

2. Pre-School Education: reducing school abandonment

1.1. Moldova does have a network of over 1,300 preschool institutions. The process of closing and liquidation of kindergartens in the first decade after independence led to a radical drop in number of the children enrolled in preschool education. During 1994 – 2000, the number of preschool institutions dropped by 36%, while participation ratio of children in early childhood development programs decreased by 57%, the educational staff being reduced to almost 70%. Studies show that almost 47% of children are not ready for school in Moldova[45], due to a long decline of preschool enrolment. Every 4th child of 3-4 years fails to name a color; every 10th child of 6-7 years fails to name a geometrical figure. Thre are significant differences between rural and urban areas, poor and rich households with children from rural, poor families being the most disadvantaged. Because of poverty, almost 44% of families with children under 7 years don't have books for children. In rural areas this rate is 56%, compared with 33% in urban areas.

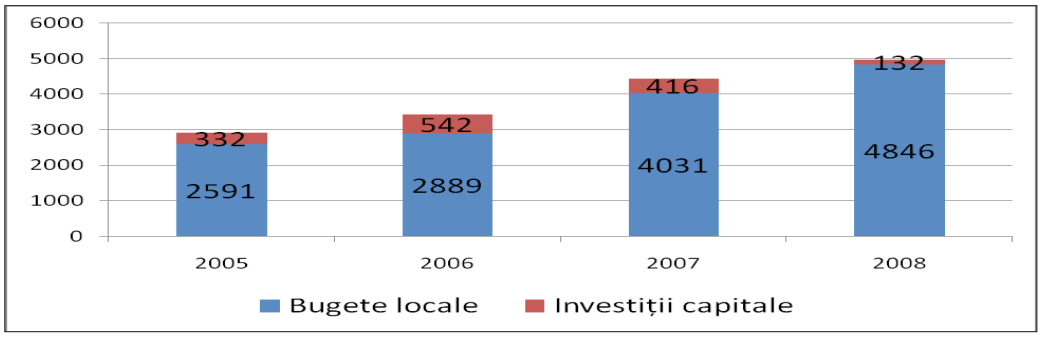
Chart 24: Pre-school institutions, by area



Source: Children of Moldova, Chisinau 2008, edited by UNICEF and Statistica Moldovei

2.2. The net enrolment rate in preschool education improved from 38,5% in 2000 to 68,6% in 2005, and the enrolment in kindergarten of children from the rural areas has increased twice as much[46]. The positive trend is explained to some extent by the people's increased income in the last years, as well as by central budgeting ratio, which has targeted capital repairs of kindergartens and pre-schools institutions. Since 2005, capital investment spending at the local level is included in the state budget. The existing gap in funding between 2007 and 2008 (416 mln lei and 132 mln lei) can be explained by the fact that the largest share in the capital investments is transmitted after the annual budgetary correction law. Thus, when the budget receives more than it is planed (in the last 4 years, extra-revenues represented almost 500-900 mln lei per year) then a part of these resources are transferred to the local authorities.

Chart 25: Calculated rate between local budgets and investments

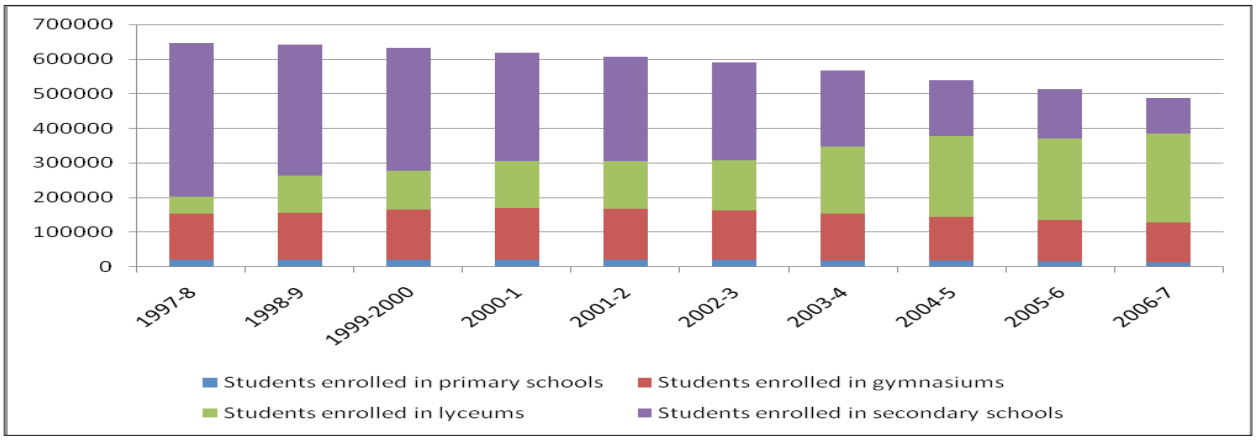


Source: Annual Laws on state budgets (2005-2008)

45 UNICEF, Early Childhood Care and Development in Moldova, Chisinau, 2004
46 UNICEF – IRC, 2005

2.3. This year, statistics show a relative increase in the number of both urban and rural attendance of children for the pre-school institutions, following similar birth rate indicators. One may see that the birth rate is higher in the rural area than in the urban. Nevertheless, social inequalities continue to deepen and the village-city disparities widened. While about 60% of children from relatively well-to-do families have access to early education programs, in case of needy families, this indicator is only 7%.

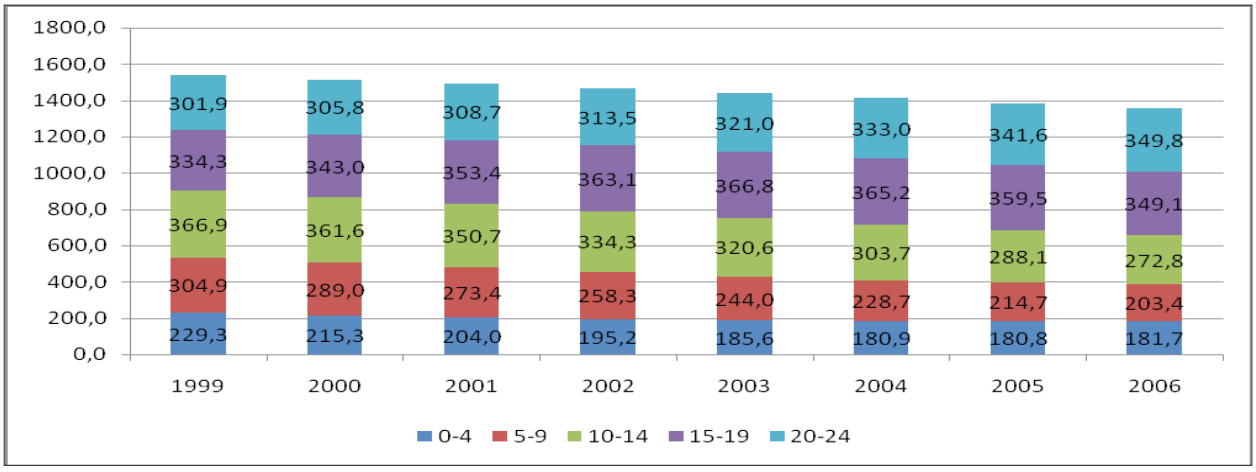
Chart 26: Attendance in pre-school institutions



Source: Children of Moldova, Chisinau 2008, edited by UNICEF and Statistica Moldovei

2.3. Consistent efforts have been directed to review the preschool institution structure and syllabus, implement education technologies targeting personality development, setting up community centres for children and socially vulnerable families in the areas in which there are no kindergartens, increasing the funding earmarked for defraying the costs for children. But, understaffing of education facilities is still a challenge for the system of preschool education, particularly in the rural areas. Young teachers/educators are discouraged by poor working condisionts and low wages; therefore, some of the institutions failed to deliver quality education, or simply ceased to exist.

Chart 27: Age groups of children, thousand

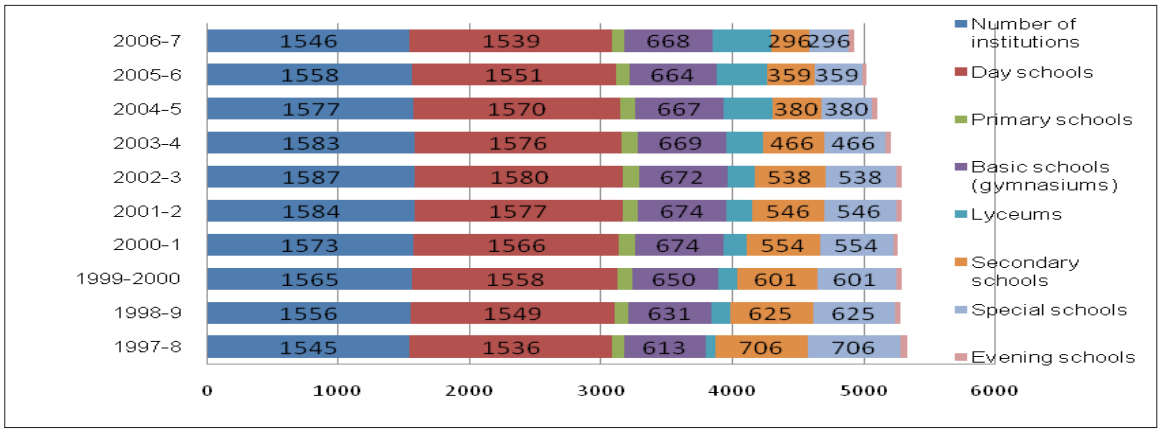


Source: Children of Moldova, Chisinau 2008, edited by UNICEF and Statistica Moldovei

2.4. The net coverage rate for primary education has decreased meanwhile from 93,5% (2000) to 87,8% in 2005, the reverse trend in this area being explained by the birth decline affecting the rural areas. The

decline mirrored largely a number of systemic causes: poor families being unable to afford costs associated to their children attending the schools; poor attendance of school by the children that have been left without parental supervision and withdrawal from school of the children that go abroad with their parents. Last, but not least, some schools were not operating, or faced temporarily shot-downs because of the lack of resources for heating facilities in the winter period of the year, while other groups of children drop abandoned school lacking supervision of their emigrated parents. The ratio of schooling in the mandatory education has improved slightly in the last 8 years. In 2000/2001, about 7,000 children were not enrolled, increasing with 28% from the previous year, while in 2001/2002, about 3,980 children were not schooled, thus reducing the percentage. The highest unenrollment rates were registered in rural areas, where poor families could not cover even expenses related to cloths, footwear, food, school supplies and textbooks. Insufficient poor household revenues affected the participation of children particularly in the post-mandatory education: upper- secondary, vocational secondary and higher. According to the data provided by the Ministry of Education, annually, after completing mandatory education, around 12-16.000 yough leave the educational system without any professional qualification[47].

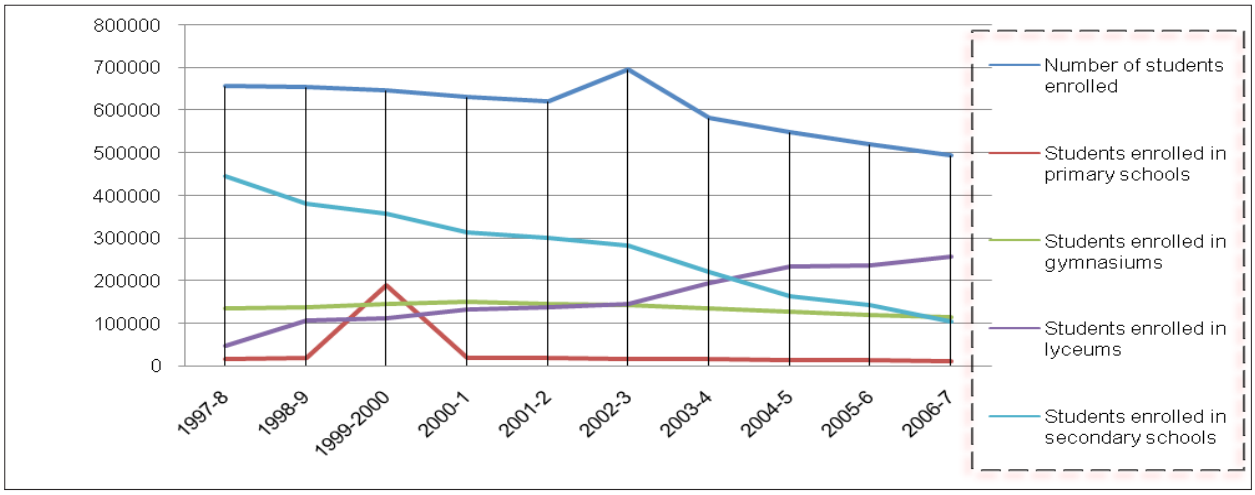
Chart 28: Institution and students in primary and general education



Source: Children of Moldova, Chisinau 2008, edited by UNICEF and Statistica Moldovei

2.5. Poverty makes the population to direct their small revenues to cover primarily their immediate material demands, and reduce or even exclude adequate education facilities to their children. Due to low incomes, rural population has a much more reduced access to different levels of education than the urban population.

Chart 29: Enrollment rates

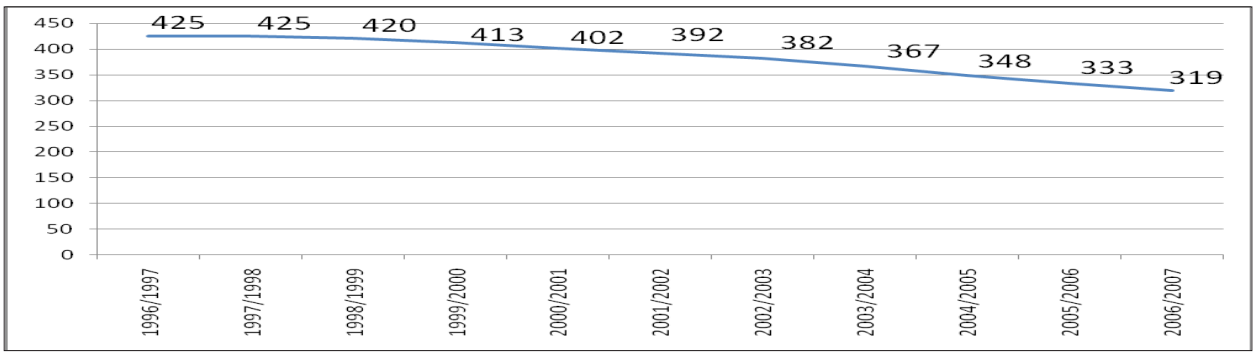


Source: Children of Moldova, Chisinau 2008, edited by UNICEF and Statistica Moldovei

47 Education for all Strategy, approved by the Government of Moldova, April 4th, 2003

2.6. Even the richest quintile from the rural areas has a more reduced access to pre-school education than the poorest quintile from the urban areas (32% towards 38%). Demographic decline registered in the last decade influenced the number of school age children. Thus, the average number of students/pupils in classes has been reduced to 20, if compared with the 2004/2005 education year, when it was of 22 (i.e. in the urban area – 23 students, and 19 students in the rural). Statistics show a growing number of classes with only 8-15 students, which thereof dropped the number of students per teacher: from 15 students per teacher in 2001/2002 to 12 students per teacher in 2006/2007.

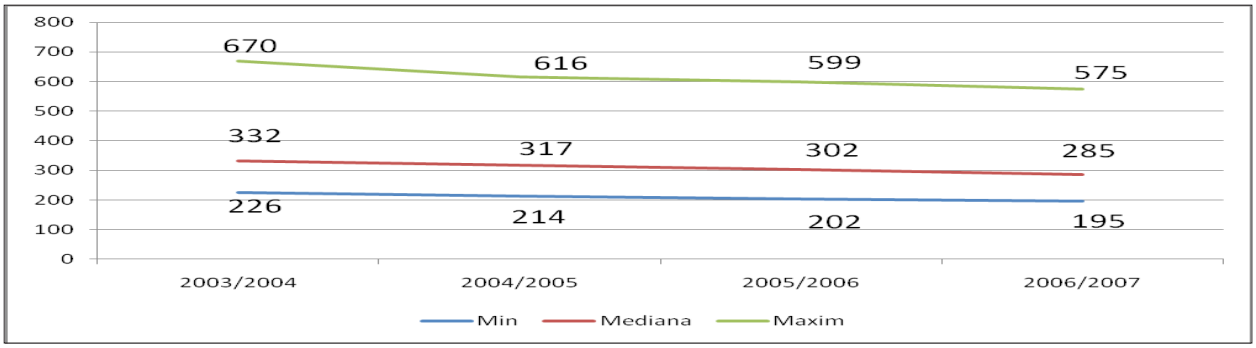
Chart 30: Average number of children in schools



Source: Calculated by the authors

2.7. Studies show that the growing disparities between employed teachers and students create unnecessary financial burdens for schools, and thus, inefficient use of material/financial/human resources at the local/national level. Thus, the project capacity of that existing pre-university education system – 1534 units – is of 67,3%. In almost 1/3 of the existing rayons, the respective average falls below 60%, while in some of them there are reported 45.3% and 50,1% of available non-used spaces and facilities of the educational institutions.

Chart 31: Number of schildren in schools: max, median and maxim



Source: Calculated by the authors, March-May, 2008

2.8. The largest part of the Moldovan schools receive less resources they request for the payment of salary needs and maintenance (hitting costs, cleaning and sewerage, nutrition for children, professional training, equipment and refurbishment). Small wages impact negatively the education of new generation, at all levels. Due to the fact that resources are allocated to schools on the base of specific normatives, and not correlated to the institutional capacity of the local governments and school managers to offer quality services to the benefiaries, the results are less than expected. The outcomes of the financng of education come across the objectives set up by the Government of Moldova for the years of 2005 – 2007 within the broader context of reforms. In particular, one shall emphasize that these reforms had to ensure the durability of

the school institutions through the improvement of the financing mechanisms of the compulsory and post-compulsory education services, through the development of a network of educational services in the rural areas, but equally prin the modernisation of the social education for children with specific educational needs, disabled categories of children, through the efficient use of the uman resources and effective management, which would upgrade the perfromances of the teaching personnel of these schools, by creating attractive jobs, and rejuvenation of the personnel.

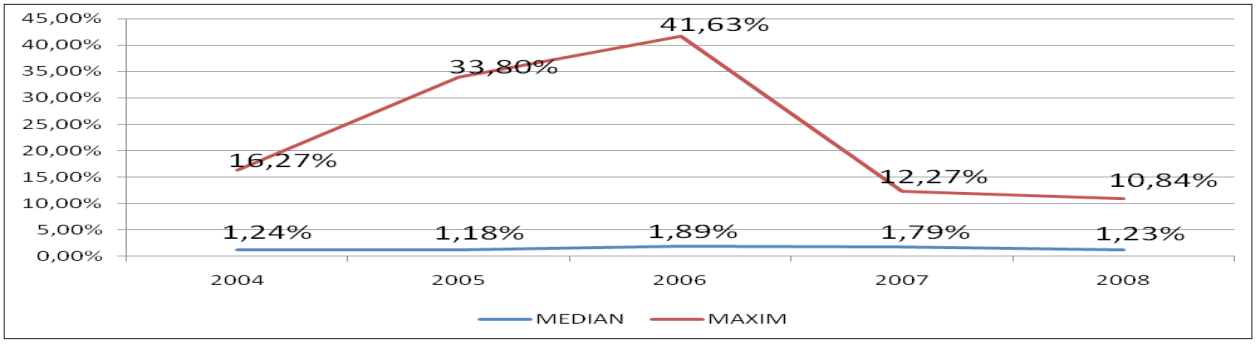
3. The quality of educational services – infrastructure and staffing

3.1. Challenged with important pressures highlighted above, the Ministry of Education has consistently launched numerous actions oriented to ensure higher rates of enrollment of the vulnerable groups. Supported by the WB in 2007, Ministry of Education has finalized the analysis of all pre-university education institutions and elaborated a draft strategy to upgrade the network of secondary general education institutions in 2008-2015. The strategy stipulates creation of districtual schools and ensurance of the regular transportation services. A new system of lending school handbooks to children has been institutionalized for the gymnasium and lyceal level of education, covering almost in full the group of children from vulnerable families. With support of the local authorities, as well as of the Medical Foundation of Moldova, International Partnership for Human Development, the Ministry has launched during 1998 – 2006 decisive policy measures that helped to provide to almost 98,8% of the total number of children from the primary classess and over 33% of children of V – XII classes from the vulnerable families with free of charge meals (lunches). During the same period of time, the Ministry succeeded to secure school supply, clothes and shoes, as well as targeted financial support to the children from vulnerable social groups. Nevertheless, there are still many problems related to the functioning of the schools. To a large extent, they refer to the ensurance of pedagogical staff to the rural schools. Inadequate salaries and in many terms inappropriate labor conditions force a large part of the graduates from the pedagogical schools to accept and look for any other job instead of continuing their work in schools. Some of them accept to leave abroad looking for another opportunities than to employe themselves in the countryside.

3.2. Still, it is difficult to ensure the staffing of schools, especially in rural areas. Low salaries and inappropriate working conditions determine the young graduates to leave schools and look for better paid jobs. The rate of teachers at retirement age reached almost 1/5 in 2007, while the Ministry of Education finds extremely difficult to young teachers into the rural pre-university institutions. To respond to the growing personnel shortages, the Ministry decided to provide generous facilities to young graduates.[48] Young specialists hired by rural educational institutions may receive, if they have higher education – 30,000 – 50,000 MDL (US$ 3000 – 5000) as a one time payment. Over 2000 teachers are leaving school every year because of small salaries, poor working conditions, and lack of hope that their jobs will become prestigious again. The remaining teachers have to teach an excessive number of hours, or cover subjects they are unfamiliar with, to the detriment of the quality of education. Many school managers have simply acknowledged this situation, making no efforts to change it. In rural areas some disciplines are not taught. It creates obvious discrepancies between urban and rural areas. It creates a huge discrepancy between the demand and the offer, between the financial possibilities and the modern requirements of education. Lack of adequate financing is the cause for deterioration of school buildings, of the electric and heating systems. Frequent blackouts and inadequate sanitary conditions are common to many schools. Degradation of physical and social infrastructure and poverty are the two major interconnected issues that settlements are currently encountering.

48 such as: (a) free housing, provided by the local authorities for the entire period of activity in the respective settlement, and in case, when it cannot provide a satisfactory housing, rented apartments/houses are covered by the local authorities; (b) monthly compensation of 30 kw of electricity, and free of charge supply of woodstock/coal during the winter period. Data provided by the Ministry of Education, Final report on the implementation of the EGPRSP 2007

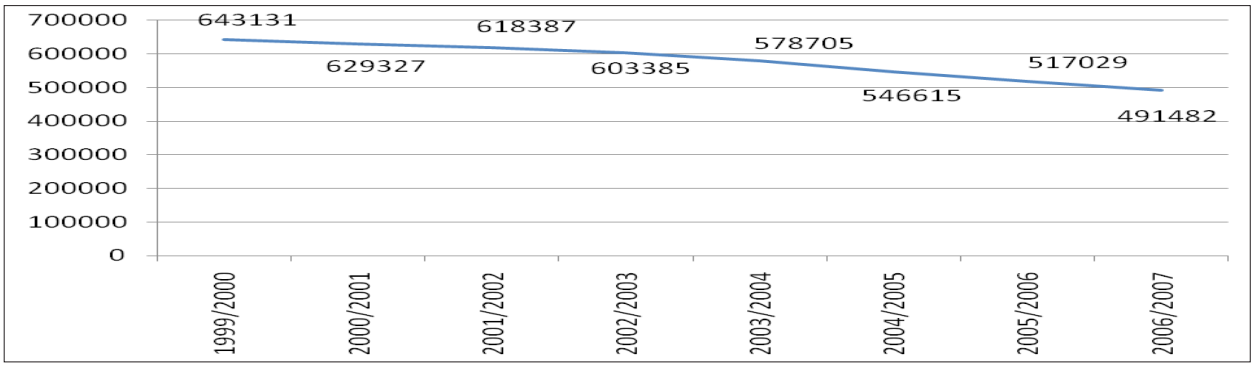
Chart 32: Funding for repairs as compared with financing provided by the central government



Source: Calculated by the authors, March-May, 2008

3.3. Usually, local budgets have no available resources to allocate for capital repairs of the schools or even refurbishments. Annually, national government distributes resources to repair a number of 40-50 schools. Thus, expenditures more than 5% for repairs are rather an exceptional case than a rule, and a strictly determined by the fact if a school has received a separate and special funding for repairs (current or capital) from the state budget.

Table 33: Dynamic of the number of children in schools



Source: Calculated by the authors, March-May, 2008

3.4. An in-depth qualitative survey has been conducted with management personnel of 30 schools, selected on the basis of: geographic location, size, type, and language/ethnicity. In each of the case, two or three individuals were questioned: directors (public managers), their vice-directors. Questionnaire consisted from (a) a standard-template with cells for needed information on budgetary issues, wages, repairs, pupils/students, maintenance costs, etc and (b) a polling list of questions to which School Managers had to respond without hesitation. Data collected was checked again with then with mayors/executive authorities of communes/villages/cities, or in their absence with accountants. In their research, experts of IDIS 'Viitorul' concluded that there is insufficient transparency in the budgetary process (as the possibility to receive full information about all stages of decision-making) and its openness (as the possibility to take real part in decision-making at all stages of planning and implementation of public policies) is one of the most serious problems of inefficient use of public finances in Moldova.

- *Shortage of funds to cover operational costs of schools is the most important issue confronting schools*

The most criticized aspect of financing of schools is clearly the actual structure of spending for education. Although the amount of spending for public education has increased in the last years, other indicators have substantially decreased without any trace on the mechanisms of budget calculation. Thus, many schools have lost their initial number of students; inflation rate and growing costs for school

maintenance has diverted a critical amount of resources for administration costs, while leaving no fiscal savings for direct educational demands.

All the respondents have mentioned first of all problems related to the lack of financial resources, poor budgeting, low salaries, underfunded maintenance expenditures, etc. Public managers complained massively on almost every aspect of their assigned competencies: capital repairs for what they miss budgets, poor resources of the local governments, old-fashioned heating systems and price-rise of fuel, building renovation and lack of budgeted categories for new equipment, furniture or utilities. The third problem mentioned is the migration of population and its ageing, which has some negative effects upon the process of education – children are abandoning school and/or have low performance.

- *Poor financing and budgetary deficit are considered to be the most critical issues of the public education*

The main problems faced by the managers of the schools are lack of funds, budgetary trap, with variegated implications on the education management – lack of teachers, unattractive payroll, and unavailable methodological and didactical materials. Other problems are related to the organization of education – lack of teachers which prefer to go abroad instead of accepting employment in local schools, and if the schools are small, then the budget is low, allowing no salary increase, few hours. They say, 'this is the result of inadequate funding (005) and the existing system of financing primary education in Moldova'.

Education programming costs remained almost unbudgeted in the last decade, and school managers were unable to invest budgetary resources to aquire new teaching materials, to aquisite newly printed textbooks or to procure new school equipment or facultative retraining facilities. Methodological materials, books are always in shortage, say a public manager from Cazaklia, Ciadir Lunga. Although, the Ministry of Education has changed the programs, this is not correlated with the funding of the new programs. Some managers complain they do not have education deputy directors, and lacking the position in the personnel, they are not allowed to hire anyone for this responsibility, which ensure the functioning of the education process.

Due to the fact that more than 50% of the local budgets consist of education expenditures, then they are willing to reduce/cut off any spending they believe is unnecessary. We do have an accountant, why they (ministry of education) call us public managers, if we have no any instrument in our hands to deal with our responsibilities?, stated the Director of Plesheni, Cantemir rayon. Often, school allocated resources from the state budget are transferred to other needs, such as kindergartens, and we are not even asked about that'.

School budgets result from a calculation of the spending per capita. Normative rates/indicators are issued by the Ministry of finance, and on the basis of normative per pupil, School Managers organize the budget per items, following the previous year budgetary rollout. Every year, school administration is requested to provide an alaysis of the number of pupils in the upcoming year (from September), following a standard list of items which must be covered, and when the local council will start to discuss the new budget, it is called upon and heard on the right estimation of the spending for school. Changes are due to the rising inflation and price increase, but there are exceptional cases, such as repairs, emergencies, which are resolved by emergency measures (003). Budgetary elaboration requires consultations with the mayoralty. Draft budgets are submitted for coordination, and after being approved by the local councils, and the same bodies accept amendments if needed.

- *Wages and salary costs consumes the largest share of the allocated budgets for education*

Salaries represent almost 80% of the school budget in Pascany Gymnasium, Cahul. Only 15-20% of the needed technical – material needs are covered today from subsidies. A school of 900 students has received per year only 28.000 MDL for didactical materials (2,600 usd). Some primary schools do not have potable water in pipe networks (Cotihana, Cahul – 007). School Manager told us that he settles

usually this shortage by covering from the salary unpaid fund, accumulated as a result of the unspent working days. He reported that due to the fact that they could not hire a psychologue for about 3 years, the unspent money covers the school supplies.

Salaries range between 700 to 1000 MDL, which increases the mobility of the position. Every year at least 4-5 teachers leave Moldova to search for work abroad, and they usually go with their families. Countries of destination are Greece, Turkey, Germany, Spain, Italy, Portugal, Russia, Israel. Many teachers are responsible for several subjects of study (003). The usual receipt with subjects that cannot be thought is to substitute or compensate with other subjects (native language with mathematics, history with natural sciences) – 003.

Salary increases are usually announced by the local authorities, Monitorul Oficial, or rayon education departments. Some of the public managers claim their proposals have been ever met by the local councils when they debate the budgets (005). They may accept changes when there is a political pressure, or when important projects are launched with SIFM (such as the construction of a new sport-hall) or with the expansion of the gas-network to the school (005). Nevertheless, reporting is made by our accountancy, and all fiscal evidences about the incurred costs is under our responsibility. Nutrition: 9 MDL per day/ children. Chief accountant of the respective municipality informs the school administration about the existing/amended normative rates for the upcoming year, and on the basis of the estimated costs per pupils registered by a school, the school is requested to accept or dispute the offer at the local council's meeting.

The budget is created from the number of registered/matriculated pupils * normative rate per child (3,684,50 MDL), not including here some local subsidies from the mayoralty. Thus, with local cofinancing they have repaired the heating system and have reorganized the courtyard of the school, they cooperate with private business and local authorities to secure nutrition for children. Managers voiced their concern that the budget deficit is continuously making the schools undesirable. So, budget resources cover only 48-52% of the needs, say director fo theoretical lyceum 'C.Sibirschi', Centru sector, Municipality of Chisinau, who reports that the last capital repair was made in 1989.

Moreover, recent investigations in this domain show that simultaneously with the permanently rising public spending allotted for educational institutions in Moldova, the problem of their inefficient use grows and as a result, the market competitiveness of educational services in Moldova decreases. One of the reasons for inefficient use of budgetary resources in Moldova is the low accountability of the central public administration because of insufficient transparency and openness of the process of planning and execution of the state budget.

Our research has identified 3 main ways of covering the salary increases for teachers, according to the Governmental decision No.1399 of 12.12.2007:

- expenditures due to salary increase have been included in the normative rates once the new budgets for 2008 have been adopted (case of the Education Department of the Balti Municiaplity)

- expenditures due to salary increase have been not inlcuded in the normative rates for 2008 budget, but the centralized accountabilities of the local governments have received indications from the General Financial Directions of the rayon councils to operate amendments in the existing budgets, in which they were ,forced to foresee these amendments from the existing normative rates, thus, to increase the amount from other budgetary items (the case of Edinet)

- expenditures due to salary increase have been not inluded in the normative rates for 2008, but local governments were ensured by the rayon councils they will be paid in full for the salary increase from rayon budgets, and thus the salary increase was made from the transfers for month november – december.

Over 30% of the budget for education is directed on salaries, being later distributed according to the didactical degrees, working experience and didactical tasks (011). There are no other social benefits to be transmitted to teachers. Sometimes, the mayoralty rewards those pupils that have successfully competed at the rayon or national level in contests by providing financial rewards, sometimes on the teacher's day, although this is usually made with educational funds, and not with extra-budgetary (011).

- *Repairs and maintenance costs were not budgeted at all in the educational spending*

Rising price of energy in Moldova, as well as on the world market leave no space for reducing the heating costs. The absolute majority of the interviewed school managers say the budgets do not include needed expenditures, providing the example of the repairs, inexistent or underfunded (013). Very few schools generate incomes of their owns (003). Managers report that the largest share of their budget is paid for heating (coal and wood), and only a rather minor share is attributed to educational, and extra-curricular activities, for purchasing methodological literature.

Managers report they pay half of the allocated budgets for heating, and operational systems (004). The costs of keeping the schools warm gone up in the latest years, while budgetary allocations are raised unevenly. For instance, last year 2007, some of the schools have no allocated resources for heating until January 2008 (Cantemir), and this year, the situation is worse, as there are no budgeted resources for the heating season. As a result, the average temprate in the winter is 15-16 degree in the classroom (005), and under certain conditions, pupils cannot leave their coats off. Schools are old, and without capital repairs, the heating systems are not efficient. A way to effectively resolve the heating problem is to connect the school to the gas-pipeplines. Technical facilities are poor.

Building refurbishment and repair works could be budgeted rately, therefore, in most of the cases, school managers had to apply to parents, local governments or to various extra-budgetary schemes, like the funding of infrastructure project, financed by the SIFM (Social Investment Fund – Moldova), or other donor-organisations. But, even for these projects, co-financing is needed, and with largely depopulated communes, financing of the educational institutions (schools, kindergartens, sport facilities, or heating systems) remained a burning issue in many areas.

- *High pressures on operational /maintenance costs leave no space for capital investments*

Some of the gymnasiums have not sport facilities, no canteen and even potable water, which is brought from the open wells manually (014). Although they have received some PC, there is no space to install them properly (Revaca, Dobruja, Singerei). The public managers complain about the fact that half of the current teachers have reached the pensionary age. But, there are no developments funds that could be added to the local budgets for schools - 016.

Foreign donors are more interested to invest in larger schools; therefore, small schools are often avoided. Usually, small schools cannot set up parental associations for the same reason. Some of the schools reported serious problems which cannot be addressed right now due to poor/miserable funding. In pascani, Cahul – outside sanitary blocks, without sewerage and water pipes, sport halls that require capital repairs.

Some lyceum managers confessed they have received only 3,7% of their budget for repairs and refurbishment, which make up a ridiculous low amount, therefore, only Parental Associations could assist the school to purchase the needed repairing materials. Some of the primary education institutions lack the necessary equipment and facilities to provide food to their pupils (Durlesti School No.84, Municipality of Chisinau), which force them to bring the food from other lyceums. In the same case, Mayoralty sold the former canteen of the school to a private business without even consulting the administration with this decision. There are many other cases where gymnasiums have no their own canteens, their own sport halls, and other facilities (potable water networks,

- *Quality of management suffers from lacking qualified personnel and adequate abilities*

Larger schools have managers (directors) with several deputies, which allow a kind of specialization (on education, on maintenance and technical – material base, on personnel, etc). In small schools, there is only one manager, which tries usually to cover all existing aspects and fields (maintenance, technical resources, but also education, nutrition and personnel). Some of the schools have recruited as deputy-managers people, which may dedicate their entire experience and qualification to look for building, repairs, technical-material basis (004).

Maintenance responsibilities include: capital repairs and refurbishment, as well, heating, lighting, electricity and cosmetic repairs of classes, recruitment of technical personnel, etc. When salaries are not attractive to hire experienced managers, then directors claim 'they spend their vacations/holidays to search for repairing materials, funding sources, to improve school functioning, and renovate medical-sanitary facilities of the school' (005).

In some of the cases, managers are completely disoriented with the budget spending, as they have already spent the budget on heating (due to the long winter of 2007), and they will be most probably unable to find out new resources so far in 2008. The rise of costs is determined by the galloping prices for coal and wood, gas and other resources to the heating facilities in schools (004).

School managers say that when there are no available teachers, they convened to replace the missing subjects with general disciplines. Thus, hours have been reduced from 45-44 per week to only 33-32 hours. Now, the school agenda include more subjects related to precise sciences, and less to social sciences. Everytime, when the Ministry of Finance decides to increase salaries, it also decreases the level of hours. Quality of courses is severely damaged.

School directors are mostly dealing with daily administration of the building, maintenance, and housing, instead of supervising the curriculum and quality of studies. As a rule, education standards are controled by their deputies, which in most of the cases are experienced teachers. Implementation of the study programs is a competence which is more often shared than the general administration between the manager and its deputies. Distribution of competencies is dependent on the personality and qualification of the manager. When, it is being appointed from the teachers of the school, he/she continues to teach and is inclined to find out a person dealing with the administration of the shool, and will prefer to concentrate more on education. When the school has already an experienced education director, the manager will cover entirely the management duties.

Another pressing issue for the public managers is the deteriorated statute of their schools. Thus, the costs for keeping older buildings are becoming unaffordable under poor budgetary bases. Capital repairs are not allowed by the rayon administration. They report also the fact that most of the directors have very limited knowledge on the financial management of a public institution, accountability, therefore, they say, can be easily trapped into various fiscal issues known by only skilled accountants. Some schools have been deteriorated without any capital repair since their establishment (016 – Oniscani, Calarasi), and the fact that they cannot manage their own money, make the administration of schools quite dissatisfied. Annual allocations for school repairs range between 5,000 and 10,000, and this of course cannot meet the school needs, which make public managers to apply for support from the parental associations, or to private business entities, if they exist in their community.

- *Bus transportation is occasionally organized by the schools, but practices are not yet effectively used*

Many children come to school from the nearby communities; sometimes they walk up to 5 kilometers every day. It is also common for children to grow up only with one of the parents, or even without both parents. The share of children which have both parents working abroad in a school can reach 1/3, for example in Gotesti, Cantemir, 200 out of 600 children are left "home alone" or with their grantparents and other relatives. There are few schools that use bus schools to allow transportation of their pupils to the school. In Gotesti, Cantemir, the manager reported a single bus, which is paid with 400 MDL per day to transport a part of the children to the end of the village, as well as to the neighboring settlements (5-6 km distance – 004).

For instance, education and instruction responsibilities are paid separately at different rates: 10% benefits to the salary if teachers are 'form teachers' in gymnasium and 5% in primary classes. As managers, directors of schools have 35% additional bonuses to their salaries, but they have to teach, otherwise, their salaries will be extremely low. Deputy Directors receive 30% additional benefits to the salaries. Teachers that attend qualification courses are not paid, or the orders are unclear.

By law, Ministry of education stipulates that attendance of techers, director or deputy director imply perdiem and accommodation, and the costs are covered by the rayon direction of education, but the former says the costs shall be covered by the local authorities. School maintenance is carried out often by people who do not have specialized knowledge, who instead of management tasks simply implement the decisions taken outside of the school (local mayor office, or rayon educational division). Their attitudes are easily transmitted to the employed teachers, who seem to be less willing to keep high standards of education.

- *Number of children has dramatically reduced, but not followed by a consecutive approximation of teacher*

The number of children in schools, generally, drops every year. Nevertheless the questioned directors state that there are no cases of school abandonment. The number of children drops every year because of the labour migration (children join their parents) and demographic situation (the low natality rate). Especially in rural areas classes are very small, with as many as only four pupils (Fundurii noi, Glodeni). It is inefficient, from the economic point of view to keep classes of such size, but on the other hand it is not possible to leave children without education.

All schools suffer from a shapr decrease of the pupils enrolled in the last years. Nevertheless, schools lack a strategic vision on development of their institutions, in what would concern effective management of the necessary spending and allocated financial means. Inssuficient involvement of the private business has limited before the good-management of the educational institutions, and the same can be equated to the partnership with foreign donors.

In some of the cities, the number of pupils shrunk three times in the last decade. Cantemir Gymnasium Director told us that from 1000 of pupils in 1990 it has now only 370. As a result of the calculation of expenditures per pupils (554 ,21 MDL per capita) , the school receives less than in the previous year. This includes everything: salary, gas, electricity, didactical materials, sewerage, newspapers, and qualification training courses for teachers, repairs). The same director says that its Gymnasium has received for 2008 only 6000 MDL (5,800 usd) for repairs, although, the administration has planed to change windows, doors, linoleum, renovate classes, etc. (002) The number of pupils remain relatively stable in new schools (003), and the rate of abandon is null. Newly established schools confirm no problems with teachers who had left the school, which may show that the attraction of the jobs therein is higher than in older schools, more or less deteriorated.

Many of the teachers are either retired or close to retirement, or are very young and looking for better employment opportunities. In fact, according to the official data, in schools are prevailing teachers which have over 18 years of teaching experience, teachers at the retirement age being the second largest group.

- *Local governments seem to be quite supportive to educational activities, but … poor*

Local governments are quite supportive with the school management. They usually cooperate in applying for SIFM projects, and mayors contribute for the repairs of the schools, or for nutrition of children. 003 There are cases however when local governments have apparently mismanaged the allocated funds from the state budget to the school functioning (004).Salary increase are often reinterpreted. So, even the law stipulates a 10% increase in salary, some of the public managers claim the neighbors receive 20%, while in other rayons only with %., remaining at the discretion of the local governments.

In Gotesti, Cantemir, School Manager reported a conflict in the previous years with the Mayoralty, who decided to retain a share of the allocated funds (2-4 MDL per pupil) for the reason that funds were provided not only for the nutrition, but for the repairs as well. Schools receive less support in large cities from the local governments. They seem to face no personnel shortages at all, and most of the graduates of the pedagogical institutes are willing to remain in the capital. It seems to be strategically important for school managers to have a voice in the local council. Managers say that without appropriate political support, they cannot secure the funding to their schools (004). Many school managers claim they find difficult to deal with local governments in budgtetary issues, and thewould be more happy to self-manage their funding directly received from the state budget (005).

The study reveals that almost all II level governments have changed the policy in planning the budgests of the educational institutions, if compared with the previous years. If before, these budgets were estimated through a simple cacluation of the registered of children and the normative/rate per capita, set up by the Ministry of Finacnes, and the final amount were divided on salaries, heating, repairs, etc, in 2008, the salary is calculated separately, on the basis of the legislation, which does not depend on the normative rate, while at the rayon/district level, average normative are calculated for the spending of the school, excluding salaries.This system of budgeting education has attempted to balance the level of spending directed to the education institutions, and increases the level of spending to the operational management of schools with fewer pupils in classes. Thus, total spending per child in Pascani Gymnasim (Cahul) represent 794,7 thousand/170 pupils, which is 4,670 MDL per 1 child. Following the same estimation we can found that total spending per child in theoretical lyceum 'I.Voda' of Cahul Municipality is 2,930 MDL per 1 child (2,587 thousand/884 pupils.

One can notice also that there is a growing discrepancy between the rural and urban areas in the field of institutional management, development and maintenance of schools, as well as in the quality of collaboration with local governments. A considerable number of chool managers have stenuous relationship with local governments in the rural areas, with a small exception of settlements like: Revaca, Todiresti, Hirbovet. And only becase their managers are simultaneously local councilors. All of them have established equally Parental Associations who manage funds that supplement needed resources for school management.

School managers are constrained by limited decisional autonomy. Statistics show that salary payroll based on the number of classes exceeds the total allocation based on the number of students; and there is almost not money remained for didactical materials, maps, furniture, repairs. When working closely with their mayors or their respective rayon financial departments, they may estimate, agree and set annual budgets, appoint non-teaching or teaching staff, they find extremely difficult to get the needed funding when their personal relationship with the above mentioned entities is low. Practices show that even ordinary decisions related to the budget-setting process and its implementation may create tensions, and ambiguities. Funds are sometimes supplemented at the school level via resources allocated by the local governments, or parental associations, although local taxes, extra budgetary revenues or transfers are typically few, and inadequate. As a result, studies have shown repeatedly that the existing formula, on which the entire national funding system for education is built on, does not allow the schools in Moldova to function[49].

- *Remitances and children without their parents in school*

There are a lot of children whose parents have emigrated, out of 900 students, 356 have one or two parents abroad (60 – without any parent living with them). They come late to school, and due to the fact that they have money, they loose their interest in accademical grades. Some of them drive their own cars, or their bikes. There are many schools where classes remained with only 10 students, especially in the russian- language classes.

According to the project capacity, our school has to get 1200 – 1300 students, but it has only 400-500.

49 CASE Moldova researched in 2006 that only 59% of the school budget needs are currently covered by transfers EGPRSP Implementation report, April 2008e disproportions which are afterwards reflected in the quality of the education, poor scores of the students and decreasing educational standards.

In Cantemir, the Manager reported that there are classes in which 70% of pupils live alone, with one or two parents working abroad. In Cazaclia, Ciadir Lunga, the school manager reported they have almost 14% of pupils both parents were working abroad, while 40% they remained with only one parent (006), and this situation has improved if compared with 2004.

- *Age and lack of variation in recruiting new teachers at the school/pre-univeriity level*

If the schools are small they have fewer attractivity offers to get young teachers, and as a result, parents decide to locate their children in another school even it is far away from the one residing in their village. Settlements in the neighborhood of larger cities have been excluded from the Governmental decision to provide 30.000 MDL for young specialists (in 3 tranches). This exclusion deters small villages outside of the capital but wihin its administrative jurisdiction to hire young specialists. In a lyceum with 674 students (Calarasi), there are 46 teachers, the average age being of 50-54 years, while 12 of them are already pensioners. The solution is to recruit young teachers which can deliver more courses, thus they work with 1,5 norms, 'otherwise, they would simply not get even a salary for survival'.

Ageing of the teachers is reported as a crucial issue in cities where poverty is reported on the highest scores. Young graduates arrived in, but public managers fear they will leave because of low salaries (011). Another impediment is apparently related to the declining motivation to learn, as some of the parents have already arranged they will pay for university contracts, which secures graduation without any significant effort from children (Theoretical Lyceum 'V.Alexandri', Calarasi). Schools are affected also by the lack of decentralization incentives in the local governance; thus, there is a feeling that local governments could help more if they will have more fiscal autonomy, instead of begging their own money from rayon administration, as well as central government. It is not correct that the government is deciding what the budget shall look like at the local level.

Thus, rayons have a plethora of institutions, whom they shall support and maintain, without much liberty to restructurate their work. Annually, 20% of the pupils of V and IX classes from vulnerable families receive 70% facilities from lending handbooks, although school mangers say the estimated number is unrealistic, and in some schools the % of the people in need is higher (011). It is not good that for 400 pupils, we receive only 20% of facilities.

Directors reported that they lack teachers of physics, chemistry, and informatics. In Gagauzia, school managers found difficult to hire teachers of music, labor and language teachers (007). Young specialists are always in great deficit. Those who are interested remain disspointed when they get to know what the salary is and how many hours they shall teach. Only graduates that were born locally could supply our school with new teachers. If their contracts were paid from the budget, then teachers have to return to their homes. When managers of schools find out they cannot cover the key – disciplines, they usually apply to the neighboring schools, but they coordinate this exchanges with the rayon educational department. Managers are concerned with the aging personnel/teachers, which cannot be replaced.

Legislation is not implemented, say public managers, in particular provisions related to the Law on education, Law on public finances. The state does prove resources to the most-strictly needed devises: salaries, gas, electricity, but fail to secure funding for capital repairs, nutrition and consumables, which are most frequently requested from parents (010). High mobility of the personnel of teachers is reported as a sensible policy issue in Chisinau, by the public manager of the 'L.Deleanu Lyceum, Sec.Buiucani), which is seen as a consequence of low salaries, attractive offers from private institutions.

- *Schools compensate the missing expenditures from parent's pockets*

Associations of parents became a rather popular form of supplementing poor resources. One may observe that their functioning and existence is not yet properly regulated. However, creation of the Association of parents was one of the conditions to apply to SIFM for infrastructure projects, thus, they were created and start operating. For instance, the Association of parents contributed many times with a share of the local/community contribution (006). Some of the schools (003) do not have set up their associations,

while others stated they are more than satisfied with the existing parental association which assists the administration of school in several fields, like, allocating private resources for emergency situations, supplementing salary payrolls that help to keep qualified teachers in (001), etc. Nevertheless, school managers claim they have received parental financial assistance informally (200 MDL per class, or 10 MDL per pupil) when they have implemented some repairs (003).

Manuals for children are entirely paid by their parents, with exception of a group of disadvantaged families (whose number is provided by the rayon education department). Budgets include 500 MDL per each of the pupil from disadvantaged families – 15 pupils in Pascani, Cahul (003). Many schools have received support for capital repairs from SIFM (75.000 usd in Cantemir, 'M.Eminescu' Gymnasium), which require equal contribution from the local authorities and community – 15%. Other funding opportunities comes from international development partners – IREX (20.000 usd in Cantemir, 'M.Eminescu'), which was assisted also by local authorities and rayon administration (002). Managers confessed that they receive private/individual donations from the parents; families donate 2000, 1000 and even 200 MDL, but this is not encouraged by the existing legislation.

Additional funds are collected from renting some facilities, such as sport hall (50 MDL per hour), but the contract is being signed with mayoralty, and not directly with the public managers. This reduces the motivation of the school managers to search for additional funding, limiting their initiatives. The available support comes from the parental association, which is completely self-managed, and private business, which provided material support for repairs. Because of the shortage of funds, important facilities are not properly used (water pools – in 'L.Deleanu Lyceum', Buiucani, Chisinau Municipality – 012), and although, the school manager searched for PPP with private business, nothing succeeded so far.

- *Rational choice helps the managers of schools to identify extraordinary solutions*

Most of the school managers that succeeded to perform and develop their schools had first secured a good partnership with local governments, and that helped them to compete effectively for additional funding schemes. School managers would oppose to be nominated by the local governments, saying they have not pedagogical experience and their decisions will be strictly political. Some of the directors succeeded also to receive extra-budgetary support from AIREX, SIFM, USAID that helped them to purchase black bows, maps, literature, but also to repairs the roof (001). There are no teachers of Moldovan/Romanian language in schools where education is bilingual or in Russian (005). Some of the teacher's positions are extremely short – such as psychologies, although they are requested by educational programs.

Sometimes, school managers decide to make economies on some hours that are not provided to the pupils. For instance (004), if some hours are substituted, they are to be paid 75% from the regular tariff rate, or when some hours are not compensated at all, then economies can be made. Thus, schools can raise additional salary bonuses at the end of the year, or provide material assistance to some of its teachers.

In Pascani, Cahul, schools have received several donations from external funding organizations (TV sets, sport equipment, organization of excursions – 003). In Gagauzia, Cazaclia, the school manager claimed it receives usually cofinancing from Russia through the embassy residing in Moldova. Low salaries raise widespread dissatisfaction among teachers. In Gotesti, Cantemir, Manager reported that he personally recruited 20 young teachers in the last 10 years, and half of them decided to leave their jobs in less than 2 years, the main reason being low salary level (004). Low salaries keep aside technical staff, as well. Clean-keepers received in 2007 a salary of 400 MDL, and guardians were paid with the same amount (004). The fact that budgets are managed by mayoralties leaves no room to the managers to increase salaries or set up bonuses (004)

Schools in Gagauzia have their own budgets and bank accounts, being directly subordinated to the rayon education departments. The budgets are formed on the basis of the previous 3 years (2005-2006-2007), and the items of reference are not the expenditures, but the needs (kwt electricity, sq m of gas, sq

m of water, etc). The budget includes also the costs of nutrition, gas, lighting, communication, mail, etc. Schools provide regular nutrition to primary classes (1-III), allocating 4 MDL per day/pupil. Usually, the annual budgetary needs for a lyceum are estimated at about 3 mln MDL (almost 300.000 usd), but at the budget's adoption, they receive 1,8 mln MDL.

- *There is no clarity on how to appoint school managers*

Elections of the manager are generally more favored in small primary schools, while appointed managers are favored in larger lyceum-type or gymnasium schools. In some of the schools, directors/managers were elected (003) – Pascani Gymnasum, Cahul, but the results of internal elections were coordinated with the rayon education department. Managers retain some classes of their primary discipline: mathematics, physics. In many cases, Managers stated that they favor appointment made by a hierarchical body – rayon education departments for instance, as they say - elections may divide the collective of the school. Usually a director is hired by the education direction for a 4 years term, on a contract basis.

A competition is announced publicly by the respective authority, and directors are appointed after being selected on a competitive basis. Directors are assisted by deputy directors. In a large lyceum, a director has 4 deputies (education, personnel, administration, foreign languages). In other schools, administrative managers are in charge with the management responsibilities. People would favor the nomination of public managers (directors) after a rigorously organized contest, by the educational department of municipality or rayons, but not by the Ministry. Opinions were voiced out that the Ministry does not have a clear picture of the situation, while local authorities are too politicized. Directors shall be elected, and not appointed (Oniscani, Calarasi), as this will consolidate the collective of teachers, and will become unacceptable if the decision will be taken outside of the school.

- *Professional retraining of teachers is not a priority for most of the school managers*

School budgets have almost no available resources for training or retraining of their staff/employed teachers. Reports reveal that over 40% of school and lyceum teachers have graduated either from college or from university some 20-30 years ago, and only fiew of them have attended recently a re-training. Under the on-going educational reform of the Republic of Moldova, the system of training/evaluation of the teaching staff has been continuously changed, aiming to decentralize the system and delegate more competencies to educational institutions, to communities and district educational departments[50]. The new policy stipulates that teachers are personally responsible for their professional standing and carreer. It is unlikely however that this can be achieved without a fundamental positive change of the wage/payroll for teachers in schools.

4. Modelling financial management of pre-university schools

4.1. Background: On the basis of the data collected from the schools, we conclude that the current system of education spending for schools faces a number of systemic setbacks/constraints. The inclusion of all expenditures in a single one normative of spending per child has led to the diffusion of the maintenance costs in the overall costs for wage payment. At the district level, sub-national government attempted to redress the obvious discrepancies between large and small communities/schools by adjusting the system with their own ad-hoc adopted methodologies, but this has only aggravated the gaps. As a result, the operational coefficients for redressing discrepancies of the current system can resolve only the issues related to the salay payments, notwithstanding the growing shortage of funding for the schools to operate in an effective and permanent way. The inclusion of educational costs in the local budgets create formidable institutional obstacles to change system, in particular at the level of local authorities, as highlighted in our

50 Concept of Training pre-university education teaching staff, No. 6.1, Resolution of the Ministry of Education, April 2003

chapter on distribution of competencies. The existing system has proved its full inadequacy, particularly with the inequal system of capital investments, which are decided on political criteria, having little in common with a strategic approach of the field Ministry of Education. All in all, most of the current pre-university institutions in Moldova continue to fall into disrepair, which further increases the obvious social frustrations, and costs to produce essential changes.

4.2. What shall be changed? Considering the data available today in Moldova on the spending for education, we assume that the priorities shall be made towards three main objectives:

1.1.1. Complete separation of the capital investments and operational costs. Capital investments shall represent not less than 20% of the total educational spending from the state budget. Capital investments shall be directed to the regions/sub-national governments through a special Educational Development Fund, established by the Ministry of Education, in accordance with the national strategy of public education. No spending shall be allowed to finance schools which do not fit into the Strategy of development. No other state agencies shall have the competence to redirect funds towards schools that are not included into the Strategy of Development. We estimate that for the upcoming years, at least 1 bln lei will be directed to fill in the Educational Development Fund. The Fund shall not be seen only as resources for construction of new schools, or repairs of the old ones, but mainly as an policy instrument to direct the institutional changes towards desired outcomes.

1.1.2. Optimisation of operational costs. To improve the effective use of resources for operational costs, we propose to split the costs between maintenance costs and salary costs. Salary costs shall be paid directly to the schools by the sub-national governments (educational departments), while maintenance costs shall be transferred to the local governments. This will lead immediately to the simplification of the transfer formula, canceling the current practices of adjusting the system through 'adjustment coefficients'. As a result, local governments will retain the competence of school maintenance, receiving adequate resources only for this scope, having no reason to suspend/postpone the payment of wages/salaries, in order to pay for the heating during the winter. On the other hand, sub-national governments will supervise the educational programs, will oversee the management of personnel and salary payments, having less trouble with the maintenance of costs for education in pre-university institutions.

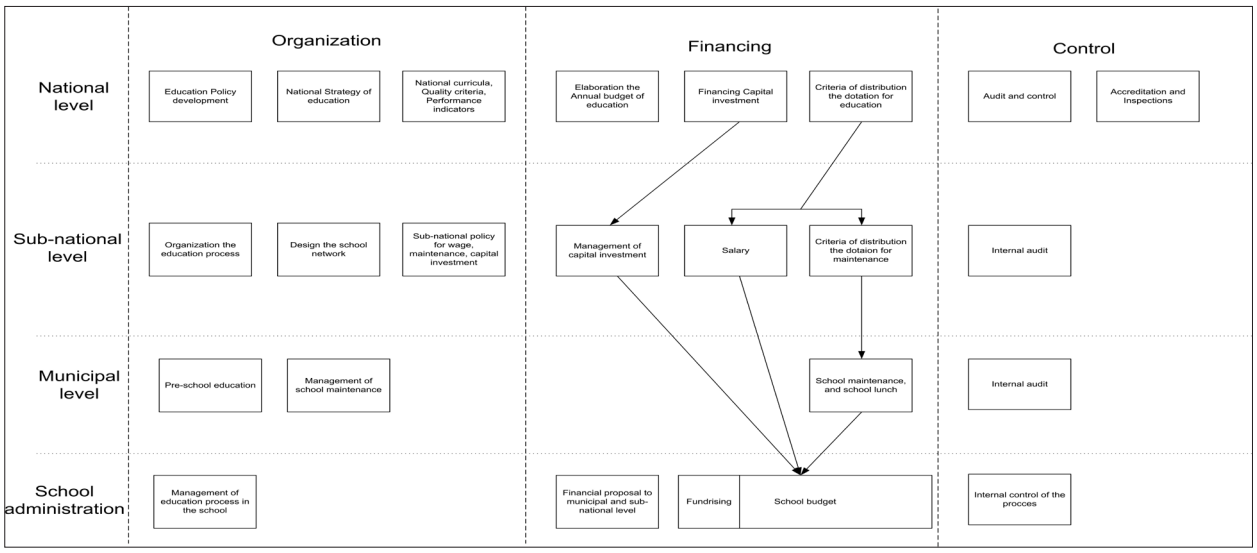
1.1.3. Decentralisation of the pre-university education at the sub-national level. The current system of public education is too heavily dependent on central administration. As a result, the effective use of the scarce resources, adequate planning of the human and material resources is constantly put under pressure by fast changes on the ground. The Ministry of Education has concentrated on its hands too many administrative and management leverages, which erodes the quality of national programming in education, and further creates formidable constraints to policy-making. Moreover, there are considerable tensions between various tiers of government, and even obvious conflicts of interests and institutional deadlocks – those who organize the system control the functionality and quality of services delivered by it. As a result, the evaluation of the public education is impeded not only by scarce resources, but also by its organizational limits. We propose that the Ministry of Education will retain only national programming for education, curriculum development, retraining of professional teaching staff, and strategy development. Nevertheless, it should delegate the competence of education management and organization of schools to the sub-national (district) level governments. The Ministry of Education will intervene through educational inspectorates, management and quality audits, and oversight of the general standards for educational services. The schools shall pass through accreditation licensing, and the Ministry of Education will intervene as a quality and standards controller, instead of replacing loca governments and school management in their positions.

1.2. The main element of the new Model of Education Decentralisation is related to the strict delineation of competencies between all three levels of public authority:

- **Central Government (Ministry of Education)**
- **District-level Government (Educational Departments)**
- **Municipal-level Government (local authorities)**

1.3. This Model of decentralization is not totally new, but it may create essential changes in the current organization of the public education in Moldova. It could fundamentally challenge the current pyramidal structure of authority, bringing more clarity and appropriate resources to the levels of authority, which are closer to the pre-university schools. Thus, the state (central government) will be in charge with the elaboration of educational programs and policies, evaluation criteria and oversight of the quality of educational services. District-level authorities will be responsible for the organization of the education at the local level via existing schools, while municipalities will maintain the adequate conditions for the functioning of schools.

Chart 35: Proposed Model of organizing competencies and responsibilities for pre-university education



1.4. What is the innovation of this model?

The proposed model aims to rationalize the flows of resources and competence delineation between various tiers of government. As a result of the model implementation, we aim to ensure practical decentralization of the main pillars of educational infrastructure, allowing stakeholders to play new roles to ensure the quality of educational services.

Table 12 – Organisation of Competencies among various tiers of government on public education

Administrative level	Organizational competence	Financial competence	Oversight
National level	Education policy National strategy of education Quality criteria National curricula	Elaboration the annual budget for education, and criteria of distribution the dotation for education Financing capital investment in accordance with Development strategy and annual budget expenditures	Audit and control Accreditation and inspection
Sub-national level	Organization of education process in the region Design of the school network (competence to open/close the school) Appoint and demission the director of schools Capital investment administration Wage policy in accordance with national minimal criteria Policy of school maintenance	Capital investment Wage Dotation to municipal level for maintenance	Internal audit
Municipal level	Pre-school education Management of school maintenance	Pre-school education School maintenance	Internal audit
School level	Management of education process in the schools	Financial proposal to municipal and sub-national level Fundraising	Parental associations Internal / disciplinary control of the anagement of schools

1.5. Impact analysis of the proposed model of decentralization. The positive benefits of the new model will include the following elements:

a. This model of decentralisation can essentially rationalize the flows of capital investments made today in Moldova;
b. Sub-national governments will receive strong incentives towards the effectiveness and rational use of resources through the infrastructure of local schools
c. Management performance will be increased at the school level due to the fact that appointment of the managers will represent a direct competence of the sub-national governments, which will be interested to increase the efficiency of the resources allocated for the educational program and maintenance of schools;
d. We estimate that the quality of the educational process will be increased as a result of the delimitation of competences between those who are policy-oriented bodies (Ministry of Education), organizational, financing and management bodies (district governments) and infrastructure maintenance and development (local governments).

DECENTRALISATION OF EDUCATION: WHAT TO DO FOR A REAL BREAKTHROUGH?

Survey main findings and conclusions

1. Financing of the education in Moldova is not pursued as a state policy aiming to improve the educational services to the population, but mainly to supply the largest part of the budgetary servants of the state with the lowest salaries. Educational spending for payrolls/salaries has not any correlation with the number of children/students in classes, but only with the Law on salaries for budgetary sector. A breakthrough can be achived only after revising the approach towards the educational services provided by the state.

2. Starting with 2003/2004, the capital investments on pre-university educational institutions are distributed as grants, and not as a component of the operational budgets of schools. Nevertheless, there are no exact/precise proeceedings regulating the allocation of capital investments/capital repairs per schools, case by case, and the only criteria that is now respected is just the political affiliation of the mayors of the respective settlements.

3. Charged with the authority to re-distribute educational funding, rayon administration often find difficult to approximate the share of expenditures on an equal and non-discriminatory manner, which produce as a result considerable intra-regional discrepancies and frustrations. Thus, we can find even neighboring schools having rather different rates of allocations per child, without any reasonable justification.

4. Annual rise of educational spending in Moldova (as a share of GDP and total amount) is not converted into effective incentives for the educational institutions to become more attractive and stable. As a result, school teachers and technical staff become poorer and less focused on results.

5. Without appropriate decentralization tools, schools are totally dependent on the political will and administrative capacity of the local / rayon authorities in what concern the budgetary management. School managers do not have the needed knowledge and abilities for planning and management of the decentralized budgets of the educational institutions.

6. Our assumption is that until 2015, children of school age will repreent only 55% of the 1995-2000 years, which will further aggrave the functioning of the pre-university schools in Moldova, in terms of budgetary allocations, use of space, exaggerated ration of teacher/students, etc. This, however, can be seen as an opportunity to consider various options of the reforming the education.

7. Budgeting of the educational institutions are usually decided on the basis of the first 10 months of work by the central government, with the hope that by the middle of the year, Parliament will allocate more resources, which will cover the remaining 2 months of the year. In the same manner, central government decide to increase teacher's salary, but make local authorities to be responsible for the payment of the additional funding. As a result, local governments are seen as the ‚saint benefactor' for the local schools, while central funding is not always granted to compensate the shortage of funding from the local budgets.

8. Eductional system is not an attractive field for young graduates. Like many other fields of the

budgetary sector is not demand-driven, but it is offer driven. People are not selected based on some existing job description, but job descriptions are often created following the available skills and qualifications. This affects the quality of the education process.

9. Small rural/urban pre-university schools are becoming less attractive for children. When they cannot have appropriate budgets to cover maintenance and personnel costs at reasonable level, these schools serve more salary payers to the existing teachers than as providers of educational services to the children of school age. The situation is particularly difficult in attracting new teachers. The quality of education is poor, which make the parents to take their children to another school.

10. There is obviously difficult to ensure necessary number of teachers in small schools, therefore, they are compensated from other courses/subjects, which thus affect the stability and variety of educational programs, and the whole edcucational process. The existing solutions to re-train a number of teachers do not bring adequate solutions.

11. Schools are negatively affected by inequal distribution of transfers to the local governments, so, municipalities with larger incomes receive supplementary transfers to their budgets (Cupcini), and use the additional revenues on their own discretion, while the poorest municipalities receive even less than planed, due to the competing priorities at the level of local governments.

12. There is an increasing trend of shifting pupils from gymnasim and secondary education institutions, after the primary classes, directly to lyceums. When a municipal financial department serves several educational institutions, then it sets up a kind of 'ceilings of expenditures, thus limiting the spending for the growing needs of the customer-schools, but when it spends less then the economies are re-directed to other institutions (water, heating costs).

13. There is insufficient transparency in the budgetary process in Moldova which results in inefficient allocation of resources, decrease in quality of public administration because of only partially ensured citizens' rights and inefficient allotment of budgetary resources.

Policy recomendations in the field of public education

1. Public education in Moldova needs urgently a comprehensive package of decentralisation initiatives. This shall decentralise the competence to pay salaries to the rayon administration, maintenance of schools – to the school managers and parental associations. As a concrete contribution to the Ministry of Education, we propose a specific Model of Decentralisation of Pre-University Schools, as highlighted in the last part of the II Chapter. This shall provide enough leverage to rationalise the use of budgetary resources, while providing educational institutions with school autonomy, and subnational governments acting as direct supervisors and competent authorities to design approrpiate regional networks of educational institutions.

2. Decentralisation implies a considerable transfer of effective authority to the schools, with public managers being able to manage their school budgets, create appropriate conditions for the functioning of their schools, thus, making a radical shift from the current hyper-centralised system to a more flexible local – governed public education.

3. Capital investments in school/educational institutions in Moldova shall be implemented as a national-program, based on clear long-term priorities and policies, and transparent proceedings, ensuring fair, equitable financing.

4. With growing debates over the optimization of the school infrastructure in Moldova, we can only conclude that this sort of decisions shall be delegated to the sub-national governments, which is entitled to know better the situation, possible social reactions, and existing funds allocated for the provision of educational services. Instead of wasting time in fruitless discussions about the no of schools adequate to the country, Ministry of Education shall decentralize the competence of creating or closing the schools to the district level governments, and concentrate on the standards of education, oversight of the national programs implementation, and evaluation of specific results of their policy measures. Accreditation leverages, and certification procedures shall become a powerful tool to direct the organization of the educational process towards the objectives the nation has set for itself. A policy diagnosis tool will evaluate after 2-3 years of this model implementation, the results accomplished as well as the necessary policy adjustments requested by the system development.

5. Budgetary financing for the graduation of pedagogical universities shall be allocated to the rayon administration, as territorial authorities for pre-unviersity educational institutions, and not directly to the universities, which are disconected from the educational process. This will certainly increase the transparency of the budgetary allocations, will bring back the graduates from the universities to the schools in need for new teachers, and will certainly increase the leverages of the local governments in planning the spending for education.

6. Implementation of the new model of pre-university reorganization will require a substantial financing on a short term – 2-3 years, and mid-term – 3-5 years. We estimate that the spending for public education shall increase fom 8 to 10% for the inception period, decreasing afterwards to 7%. As in the case of the primary medical care, Ministry of Education will need assistance

7. The concept of educational reform shall support the idea of qualitative educational services national-wide, and not keeping alive small schools, with insufficient number of teachers, almost equal to the children enrolled, and with no hopes to increase the attendace. Therefore, a serious effort of mapping local educational demands shall consider the demographic trends, forecasts, and models of repositioning the educational institutions at the territorial level, ensuring bus-transportation, separation of schools according to their level, etc.

8. Salaries shall be increased for school teachers at least at the level of the average salary in economy. Considering the increasing disparities between regions in Moldova, we see that payroll shall be decided by the local governments (2nd tier – rayon administration), who may consider local particular traits, level of efforts, being in line with the local demands.

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ATTACHMENTS:

Annex 1: The structure of the households' consumption, %

	2003			2004			2005		
	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural
Food and non alchoolic beverages	56,6	48,5	62,8	56,4	48,0	63,8	54,2	46,9	61,3
Alchoolic beverages, tobacco	3,4	2,4	4,2	3,1	2,3	3,8	2,7	1,7	3,6
Cloths and footwear	8,4	9,6	7,6	8,1	9,2	7,1	7,9	9,6	6,2
Housing and comodities	12,0	14,7	9,9	12,2	14,1	10,5	14,5	15,2	13,8
Housing utilities	3,3	3,3	3,4	3,2	3,8	2,7	2,7	2,8	2,7
Health	4,4	4,5	4,3	3,9	4,3	3,4	3,6	3,7	3,6
Transportation	3,2	4,2	2,4	3,4	4,7	2,4	3,8	5,2	2,4
Communications services	2,1	2,9	1,5	2,9	3,4	2,4	3,4	3,9	3,0
Entertainment	2,2	3,3	1,3	2,5	3,8	1,4	2,3	3,0	1,5
Education	*1,1*	*1,5*	*0,9*	*1,0*	*1,2*	*0,8*	*0,9*	*1,6*	*0,2*
hotel, restaurant, canteen	0,7	1,5	0,1	0,6	1,3	0,1	1,1	2,2	0,1
Others	2,6	3,6	1,6	2,7	3,9	1,6	2,9	4,2	1,6

Source – www.statistica.md

Annex 2: Public expenditure of education

	Moldova				Europe & Central Asia		Low income	
	1980	1990	2000	2004	1980	2004	1980	2004
Public expenditure on education (% of GNI)	..	*5*	4	*5*	..	*4*	..	..
Expenditure per student (% of GNI per capita)								
Primary	..	..	13	*17*	..	*12*	..	..
Secondary	..	..	21	*26*	..	*16*	..	..
Female teachers (% of total)								
Primary	..	*97*	97	98	..	*92*	..	*46*
Secondary	..	..	..	..	..	..	..	..
PARTICIPATION IN EDUCATION								
Female pupils (% of total)								
Primary	..	..	49	49	..	*48*	..	*46*
Secondary	..	..	50	50	..	*48*	..	*44*
Gross enrollment rate (% of age group)								
Primary								
Male	..	*93*	86	85	..	*103*	..	*105*
Female	..	*93*	85	85	..	*101*	..	*94*
Secondary								
Male	..	*77*	71	72	..	*95*	..	*50*
Female	..	*83*	72	75	..	*90*	..	*41*
Tertiary								
Male	..	..	24	27	..	*43*	..	*11*
Female	..	..	32	37	..	*52*	..	*7*
Net enrollment rate (% of age group)								
Primary								
Male	..	*89*	80	78	..	..	..	*82*
Female	..	*89*	78	77	..	..	..	*75*
Secondary								
Male	..	..	67	67	..	..	..	..
Female	..	..	70	70	..	..	..	..
Number of unenrolled children (thousands)								
Primary								
Male	..	..	26.474	22.822	..	*1439*	..	..
Female	..	..	26.975	22.109	..	*1669*	..	..
EDUCATIONAL OUTCOME								
Progression to grade 5 (% of cohort)								
Male	..	..	..	..	..	..	..	..
Female	..	..	..	..	..	..	..	..
Primary completion rates								
Male	..	..	*94*	91	..	95	..	78
Female	..	..	*95*	92	..	94	..	70
Expected years of schooling								
Male	..	..	..	..	..	..	..	..
Female	..	..	..	..	..	..	..	..
Youth literacy rate (% of people aged 15-24)								
Male	..	99.8	..	99.5	..	99.3	..	81.3
Female	..	99.8	..	99.5	..	98.4	..	66.5

Note: Data in italics refer to the most recent data available within the two years of the year indicated

Annex 3: Pre-school institutions by form of ownership

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Preschool institutions	1399	1201	1135	1128	1192	1246	1269	1295	1305
Public	1161	1090	1094	1110	1177	1234	1261	1292	1304
Non-public	238	111	41	18	15	12	8	3	1
Children, thousand	126,0	101,0	93,7	96,5	104,0	106,5	109,7	113,1	116,2
In public institutions	111,6	94,2	90,9	95,5	103,2	105,8	109,1	113,0	116,2
In non-public institutions	14,4	6,8	2,8	1,0	0,8	0,8	0,5	0,1	0,06
Places, thousand	166,6	152,4	143,7	145,6	150,2	154,0	156,1	159,1	159,6
In public institutions	150,0	143,5	139,4	144,0	148,7	152,8	155,2	158,9	159,5
In non-public institutions	16,6	8,9	4.3	1,6	1,5	1,2	0,9	0,2	0,1

Annex 4: Repeaters

	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Total	7499	5386	7294	7668	5685	2386	2043	1007	649	475	
Grades 1-4	3255	2402	2618	2749	2027	907	775	491	306	240	
Grades 5-9	4130	2945	4645	4864	3627	1446	1253	498	341	235	
Grades 10-11/12	114	39	31	55	31	33	15	18	2	-	

Source: Children of Moldova, UNICEF Collection of statistical data on children

Annex 5: Ratio of Teachers and Children in pre-university institutions, 2008

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Teachers, total	42271	42537	41631	42605	41005	40877	39173
Unders 3 years	3339	3321	3632	3794	3442	3468	3214
3-8 years	4109	4009	3633	3867	3687	3762	3734
8-13 years	5587	5477	5029	4481	3968	3707	3476
13-18 years	7235	7222	6684	6271	5809	5236	4811
Over 18 years	22001	22508	22653	24192	24099	24704	23938
Retirement age	2871	2792	2807	3361	3874	4576	5263

Source: Children of Moldova, UNICEF Collection of statistical data on children



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