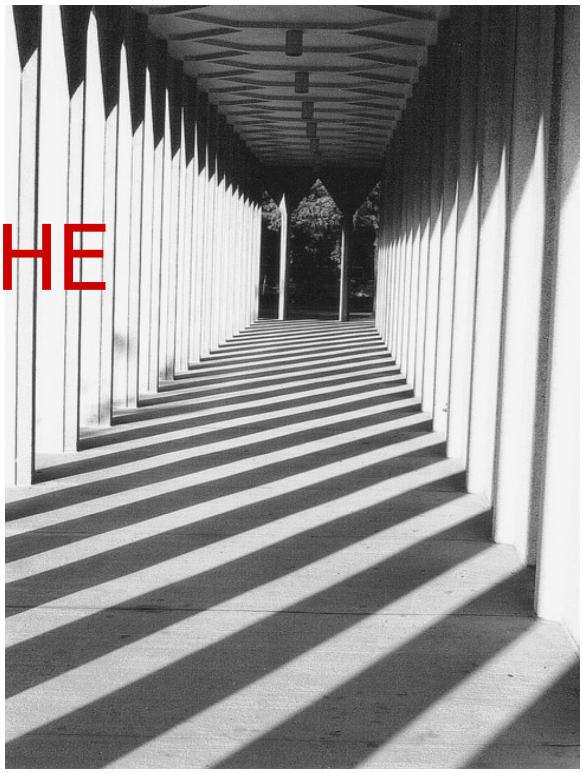
SAR POLICY BRIEF No. 32

A resource tracking survey on a sample of 30 Romanian schools reveals interesting trends, in an exploratory study by SAR

LIGHTS AND SHADOWS IN THE ROMANIAN SCHOOLS



Always paraded as a national priority, but poorly researched and understood, the Romanian public education system continues to under-perform and leak resources. Budgets have steadily increased over the last years, but the signs of improvement are still to be seen. This report aims to shed a glimmer of light on the sector. Project sponsored by the Transparency and Accountability Project (TAP), a joint global initiative of Brookings and the Results for Development Institute, Washington DC.

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After the chaos surrounding the collapse of Communist regime in 1990, like most CEE countries, Romania passed through a series of political and economic emergencies. The new governments were barely able to manage the monumental task of the *double transition* characteristic for the whole region: to democracy and pluralism; and to the market economy. On both dimensions a whole set of institutions had to be built up from scratch, and as a result little time remained for think, long-term planning and fine-tuning social services which, like the education system, seemed to cope along reasonably well. Thus the country retained a highly centralized education system based on regional representatives of the central government in 41 counties (*judeţe*), directly nominated and controlled by the centre. The political context of this centralized government has changed dramatically in 1990, of course, and gradually after that, but the politicised

manner of appointments and of using the regional centres as the power base for the political factions (parties) fighting for control remained. The education sector, together with all the other important social sectors of the economy, remained under a strict control of the centre.

1. Overview

This coexistence of new democratic institutions with remnants of the old socialist bureaucratic apparatus, of open-mindedness with conservative administrative behaviour, was the paradox of Romania's political and social life in the first stage of transition. As a result, in a context where reforms were governed by an effort to break up with the past, pursued in a difficult economic context, successive political leaders preferred a slow pace of public administration reform, maintaining in the beginning a highly centralized system. Judging in retrospect, the continuation of the centralization was a mixed blessing. On the one hand, during the difficult period of post-socialist industrial restructuring, with its rapid social changes, vast territorial reallocation of resources and volatile public budgets, direct government patronage provided some measure of support and insulation from hardships for the education system. The entrenched institutional culture of this system – a replica of the classic, 19th century French public education – was also supportive of centralization.

On the other hand, the retention of the centralized governance in education slowed down the development of more autonomous schools. The appointments of all school directors and teaching staff are still made by the School Inspectorates, who organize the recruitment and evaluation, so the school principals have little tools to manage their human resource. The Inspectorates also control the allocation of students by classes and the teaching plans of every school. By tradition the position of school director is weak and dependent on the county-level Inspector General appointed by the Ministry, so there has been little movement towards school autonomy and self-management, at least until mid-nineties, and only symbolic steps were taken after that. This impeded the rationalization of school recourses and promoted the attitude that pedagogical, organizational and financing norms defined in Bucharest are the main guidelines for schools.

At the same time, since most of the top officials in the Ministry are career teachers themselves, their natural tendency has been to focus mostly on curricular and teacher training reform, with which they fiddled endlessly, at the expense of more critical managerial and financial issues, for which there has been much lower appetite. This concentration on pedagogical reform is confirmed by the available descriptions of education reform in Romania. Three stages were identified in the Romanian education reform[1]:

- Preparatory phase 1990–1993: when most changes were merely corrections to the excesses of the previous period, including de-Communization and removal of ideological education content, so the focus was the adoption of an interim curriculum. The reforms were primarily driven by legal documents of the government (Ordinances and Decisions) and of MoE (Orders), and implemented by the Ministry and School Inspectorates,
- Multiplication of alternatives 1993–1997: the first serious discussions of a comprehensive Law on Education were held, with the law finally adopted in 1995. The compulsory education was reduced from ten to eight years. The first substantial reform education projects started in this interval (financed by the World Bank and the European Union).
- Systematic, but protracted reforms from 1997 to present: the ministry continued the reform in education, the education law was revised, a new coherent national curriculum was drafted (including a balance between the compulsory and elective courses), alternative textbooks were allowed and a scheme to finance them was created. Mandatory education was again extended, first to nine and then to ten years of schooling.

During the first stage all the managerial decisions in schools, including the school budgets, were made by School Inspectorates – i.e. by the Ministry through its territorial structures – and nearly all the education funds came directly from the state budget. After 1995 the new law introduced some changes in the education finance, by passing the property over school facilities to local governments, making them responsible for maintenance and rehabilitation of buildings, and by requiring that school budgets be defined using a per student formula. The law also reintroduced the pre-

[1] S. Velea, P. Botnariuc, *Education Reform in Romania During the Last 12 Years*, Working paper for CEU Education Policy Course, Hungary 2004.

Communist institution of Administration Boards, to supervise the decision process in each school. These boards include five to 11 members and consist of the principal, its deputy, chief accountant, teachers elected through the teachers' council and representatives of the parents and the local government unit; it may also include representatives of the local business community and civil society. Finally, in 2001 the bulk of the primary education spending (teachers' salaries) was re-channelled through the local government budgets, so that the fraction of local spending on education in Romania raised spectacularly from that year on, amounting to a staggering 30-35% of the local government budget in some small localities.

However, this is only a statistical artefact, since local governments receive and distribute the teachers' salaries as a centrally mandated transfer, according to a fix grid established by the Ministry: they cannot hire or fire people, nor can they increase or decrease the sums, so in fact local governments function as a cash-dispensing machine. Other innovations, such as the School Board, or the recalculation of the school budget on a per-capita basis (in view of further reforms), also remained on paper, as there is no trance of their functioning in practice. Moreover, after 2004 Romanian education finance was once again subjected to unclear and confusing changes, with the only clear effect that the main authority stays with the School Inspectorates.

The system of education today is the result of the last two stages of reform and has the following structure:

- pre-school education (3 to 6 years old): kindergarten, middle groups, junior groups, senior groups preparing children for school;
- primary education (7 –10 years old): grades I-IV; ISCED 1
- lower secondary education - *gimnaziu* (11 to 14 years old): grades V-VIII; ISCED 2
- upper secondary education (15 – 18/19 years old), offered in theoretical, technical or vocational high schools path – grades IX-XII/XIII or in a professional path (Schools of Arts and Trades): grades IX-X with the possibility of completing an additional year (XI) and enrol in the high-school track (XII/XIII) ISCED3
- post-secondary non-tertiary education (18-20 years old): two years of specialisation – ISCED 3/4
- tertiary (18 to 23 years old): university education (three years) + Master level studies (two years) - ISCED 4/5
- post-tertiary education (i.e. doctoral studies – three years) ISCED 6
- continuous (lifelong) education.

Since 2003, in the Romanian education system the compulsory education is up to 10th grade (lower secondary + minimum 2 years in upper secondary level, on high school or School of Arts and Trades track).

2. Problems in the national system: budgetary fragmentation and policy blindness

The present system of education finance in Romania exhibits remarkable fragmentation. The main element of this fragmentation is the division of financing responsibilities into two basic categories: (i) maintenance costs, financed by the local governments; and (ii) salaries, financed by the central government through earmarked grants to local governments[2].

National budget is the only responsible body for covering other material spending such as the costs of textbooks (bought centrally by MER) and of other costs, including teacher training activities, student scholarships and transportation while other national grants go to the intermediary tier of local government (counties) for the universal free meals program in primary schools.

Maintenance costs include all the material expenditures of schools, such as heating, electricity, water and garbage collection, and also the materials used by schools for their operations. Maintenance also includes small repairs necessary for running of schools. Local governments cover those costs and do not receive from the central budget any specific grant, as they are considered *own tasks*. For that purpose they have to use their own revenues or the non-earmarked transfers they receive through the system of tax-sharing.

The main national tax that is shared, the personal income tax (PIT), is split by the following rule:

[2] In two steps: first from MoF to County Councils; and then from these to municipalities.

Share of PIT	Beneficiary	Purpose
47%	Local council	Own expenditure needs
13%	County	Own expenditure needs
22%	County	Rebalancing, to equalize local budgets
18%	National	Residual

The distribution of the local share of the taxes is important, because it shows clearly that almost half of the general-purpose transfers to local councils are filtered through the county authorities and redistributed among the local budgets according to rules and priorities of the county council (the national criteria for sub-county equalization are interpreted very loosely in territory, so there is room for informal contacts and preferences). The rebalancing is applied to help local councils deliver public services, such as education, health, transport and so on. This implies far reaching politicisation of the budget process, in that one level of local government (county, tier 2) decides on the budgets of other local governments (local councils, tier 1) in the areas in which it has not managerial responsibility (education), and in spite of the fact that constitutionally there is no hierarchical subordination among these two tiers of governance. The county council does not have sufficient data to analyse the sectoral needs of the local councils and therefore has to work in close collaboration with the School Inspector. This implies that the deconcentrated MER apparatus has some influence over the allocation of maintenance funds, but it is very indirect and is not governed by a clear division of responsibilities.

We thus see that rich jurisdictions have significantly more funds at their disposal and can spend much more on school operations than poorer municipalities. Moreover, the equalization implied through the rebalancing component of shared PIT has a rather limited impact, because it is very localized. Indeed, there will be many relatively rich counties, which will have at their disposal quite significant funds for rebalancing of budgets. At the same time, the counties in poorer parts of the country (NE) will also have their own equalization funds, but much smaller. Romania does have a national equalization system, which is in constant flux[3], is rather non transparent and allocates the funds again to the counties, leaving them the right to distribute those funds to local governments.

As a result, there are very severe regional differences in per student maintenance expenditures (at the level of counties). The Ministry through the Inspectorates does not monitor those differences, in part because they have not been assigned any administrative tools and responsibilities to do this. The responsibility for determining the maintenance and materials part of school budgets thus rests exclusively with the local governments, and they seem to enjoy remarkable freedom in this area. For instance, in some of the schools visited in this project the own income generated by the school is considerable, because the school has turned an unused student dormitory into a type of low cost hotel and is allowed to keep all the income generated in this way. Therefore the local government decided that it will not assign any maintenance funds from its own budget to that school. Leaving aside the question of whether this is a rational decision, we note that this is in sharp contrast with other schools, which for their maintenance funding depend completely on the local council budget. This also shows that there are no uniform financing standards that local governments need to follow.

Another important element of the fragmentation is the shared but only implicitly assumed responsibility for investment (capital expenditures) between national and local governments. Challenged by central and local financing priorities and strategies, these costs are ad-hoc put on the policy agenda and very difficult to be really linked with the schools needs or coordinated through a medium and long term regional program. Local councils are more and more expected to allocate money for larger infrastructure works or for investments, especially in the case of areas with a high level of development[4].

[3] Criteria used by this system change from year to year and are a part of the national budget law (S. Ionita *Halfway there: Assessing Intergovernmental Fiscal Equalization in Romania*, 2003).

[4] There is pressure from the part of the central government (often in coalition with the trade unions) on the local authorities to offer fringe benefits to teachers: local government offered bonuses to teachers (such as coupons) for the first time in 2007 following "recommendations" from the centre, in parallel with their own activities to create additional

In the last two budgetary years (2007 and 2008) the Ministry of Education has launched a large national program of investments in school rehabilitation, with a distinctive component for rural schools. Since this is capital expenditure, it was expected to function as a grant scheme for investments, where money goes eventually to local governments, the legal owners of the school facilities. In practice there was a lot of uncertainty and hesitation about the disbursement of funds, with a tendency of the central administration (Ministry and its subordinated Inspectorates) to control the allocation and management, including the procurement and works supervision process. Eventually these ended up at the school level, but the system changes with every annual national budget. Crucially, the list of localities and schools included in the grants program is decided by the Ministry in an annex to its annual budget, and no clear principles and criteria have been published so far to explain how the selection was made. Given the substantial amounts in discussion, this opacity raises concerns regarding the fairness and (possible) politicisation of the allocations.

The salaries part of the school budget, in contrast, is very strictly controlled by an elaborate system of employment norms, codified in national laws and regulations. Indeed, every year all the primary schools submit to the School Inspectorates its enrolment plan. The enrolment plans include the numbers of students, class, teaching positions, and other non teaching staff (administration and technical), and should be verified by the School Inspectorate concerning proper applications of the norms. The norms include elements such as: class sizes; teaching time for class; teaching per teacher; norms for non teaching staff, etc.

The School Inspectorate aggregates enrolment plans of individual into a county enrolment plan and sends it to MER. It is clear that it is no longer possible to verify whether the employment norms are applied correctly at this level of aggregation. Instead, the aggregated plans serve as an employment plan at county level, and its main purpose is central budgetary planning. Finally, MER constructs the national enrolment plan through aggregation of county level plans, and the national plan is approved through a government decision. In theory, this should provide a comprehensive system of checks and balances, in practice however we note dilution of responsibilities. Indeed, while it seems clear that the main managerial authority rests with the School Inspectorates, their decisions are not final and are in theory subject to verification and approval by higher authorities, up to the government itself.

Once enrolment plans have been approved, they are used to determine the salaries part of the education budget of counties. Here again, the Ministry of Finance depends on the data provided by School Inspectorates, namely the data required to establish the salaries of individual teachers (education levels, seniority, professional qualifications). The national budget determines not only the revenues of the schools, but also their expenditures by the sector. This firmly places the counties in the framework of the central government, despite the fact that their councils are elected local bodies. Thus specific expenditures needs of the counties on education salaries are defined in the central budget. In this process *counties* are used only as territorial units of planning for a policy which is essentially national, while the elected local governments proper at this level (County Councils) have no say in this process, being used – again – as cash-disbursers.

Once the state budget is approved, the counties then "determine" the education budgets of all their local councils, which is more or less a mechanical exercise, since the allocation for education salaries was based on submissions of the counties (together with the School Inspectorates). The local government also merely transfers those funds to schools (they are paid in cash to the employees). We may conclude that while the maintenance part of education finance has been excessively decentralized, without proper monitoring mechanisms, the salaries part remains strictly centralized and controlled.

This brief description of the financing system of Romanian education highlights three important problems:

- There is **no proper and transparent system of intergovernmental grants dedicated to education**, so that financing of the sector can be put on a sound legal basis. The current local government finance law, defining the budgetary mechanisms to finance the functions devolved to local governments, offers very little scope for transparency and coordination. Auditing local budgets on their contributions to national sectoral policies is difficult, so the government exerts little control over the performance of the whole system. Local

incentives for the teachers (i.e. prizes, rewards for special achievements etc.).

councils do not file the budget reports by sector in a relevant format (so that education maintenance expenditures are reported separately from those in other facilities, such as administration or health). The Ministry of Finance is not able to enforce strictly uniform standards, still uses a cash-based system, and as a result, it is notoriously difficult to assess at present how much Romania spends on the maintenance of its primary and secondary schools, which belong legally to local governments.

- There is **substantial fragmentation** in the education finance, with salaries and maintenance functioning almost as two separate sectoral policies. This is harmful for the system in two ways: (i) As one sub-system is based on shared taxes and the other on calculated amounts, the local governments will have the tendency to look at two parts of the schools budgets separately, although they should be analysed together. Indeed, some investments in the schools (new heating equipment) may decrease the maintenance costs and change the salaries costs, so the two parts of the budgets are in fact related. Moreover any savings in the technical expenditures should be profitably used to employ better-qualified staff. (ii) One sub-system exhibits significant inter-county variation, and some equalization framework should compensate this. The other subsystem distributes the funds much more equally and such equalization is not necessary.
- Although the bulk of the education spending (salaries) is centrally controlled, it is precisely at this level where the main problem appears, because the **Ministry of Education is *not*, in fact, officially in charge with disbursing these** funds, as it does not control their use, it does not report on budget execution, but only provides the data for policy planning. The salaries practically outside the Ministry's budget, and the result is a visible *budgeting vacuum* in the budget process[5]: the Ministry most interested in the level and manner of financing of schools is not fully involved in the budget process for any part of school budgets: central or local. For school maintenance, towns and cities are in principle fully responsible and do not report what they spend to the Ministry. When the large capital investments grants for school rehabilitation was introduced in 2007, which are directly allocated by the MoE, the Ministry cannot know to what extent a substitution effect has appeared (local councils invested less out of their own funds because of the new grants arriving). For the salaries, the main responsible institution is Ministry of Public Finance, who does not need to consult either MoE or the local governments, and introduces changes from year to year without prior discussion.

The paradox therefore is that the Ministry, which is in theory responsible politically for efficient use of resources devoted to education, has little influence over the ways the funds are allocated and spent, or how the human resources are used. The employment of teachers is strictly quantified by the Inspectorates through applying national class size norms and curriculum requirements, and the information is sent to Ministry of Finance. Any potential savings from school consolidation – which is always a painful process anyway, with resistance from both the parents and the teachers – would not accrue to the sector, but disappear in general budget, since Finance will automatically reduce the allocation for salaries. Similarly, MoE finds it very difficult to plan and cost any major reforms of the sector, like lengthening of obligatory education or increased enrolment in general academic secondary schools. This is because the present budget process does not use data that can be the basis of projections under various reform scenarios. Moreover, no policy-making institution is responsible for taking into account long-term financial and managerial effects of demographic processes, decisions about school networks, curriculum changes, or changing teacher numbers.

"The most important negative consequence of the budgeting vacuum is that the budgeting process is seen as a purely accounting activity. Thus for salaries, rather then considering various possible tradeoffs between school and class size and teacher employment, the process is based on checking how many school employees there are, according to the norms, and how large are their salaries. For textbooks provided free of charge to all students of primary schools, the process is based on assessing the numbers of textbooks available, and on how many are needed in the new school year. In general, the

[5] Point clearly made by Jan Herczynki (2006) *Report on the quality of the budget process in the Ministry of Education and Research including proposed financing system changes and their impact and identifying specific areas for improvement.* Sectoral report for the World Bank mission, Bucharest.

Ministry sees itself as running the sector system through a list of norms and methodologies, rather then as allocating scarce resource to achieve specific policy objectives. (…) Of course, there is of necessity some accounting activity involved in the budgeting process, because the employees need to be paid their salaries, the institutions need to have their budgets suited to their needs, the administration needs to function. However, the art and challenge of the budgeting process is to include those accounting projections in the overall process of setting and achieving policy objectives. This the Ministry does not do". (Herczynski, 2006, Op. cit)

3. Challenges to the system: Demography, Economy and Rural / Urban divide

In parallel with these institutional shortcomings, the school system has to deal with a number of adverse factors that put increasing pressure on it during the last two decades. First, there is a serious demographic decline of the student population in Romania (like in the whole Central and Eastern Europe overall), reflecting a general population decline. Between the school year 1996-97 and 2003-2004, the number of students of primary schools fell by 16%, and the decline is likely to continue. Until now primary education was mostly affected, but it is starting to hit the secondary education as well. While in the cities this process may bring improvements in the class size and allow better access of students to teachers and to other school resources, in the rural areas this threatens the financial viability of providing education and will significantly increase the per student costs without any improvement in quality.

Tab: Performance in Fourth Grade Assessment in Romania

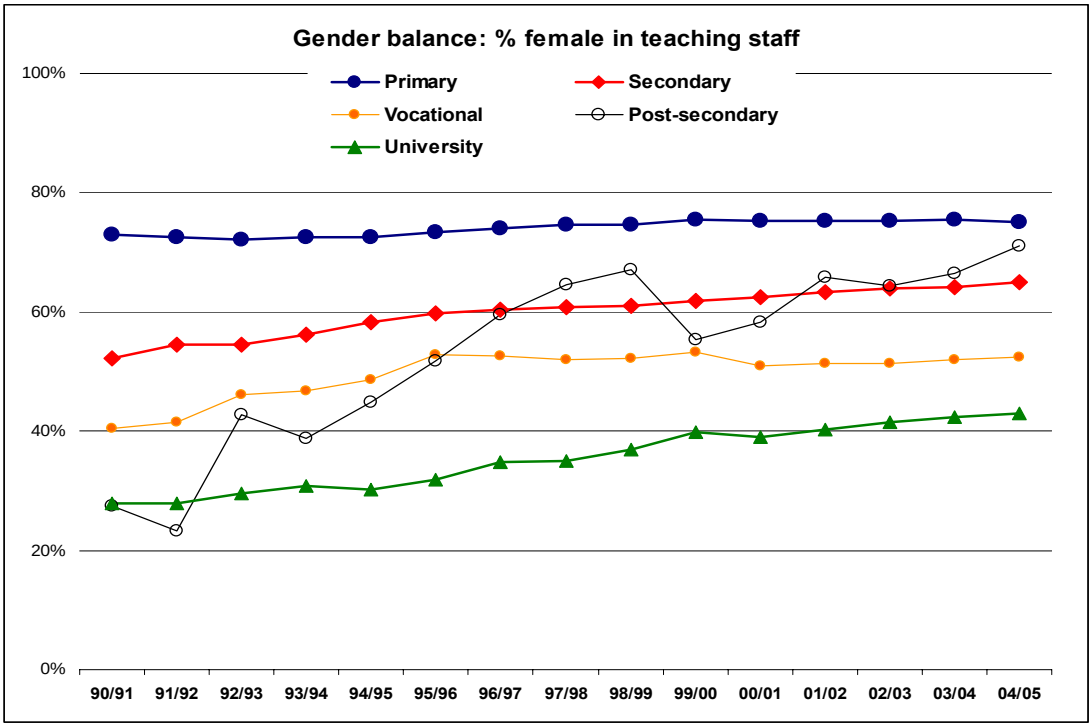
Subject	*Location*	*Low*	*Very good*
Mother tongue	Urban	3.5	70.8
	Rural	17.0	36.1
Mathematics	Urban	4.5	60.2
	Rural	17.2	31.2
Sciences	Urban	1.2	60.7
	Rural	8.2	33.6

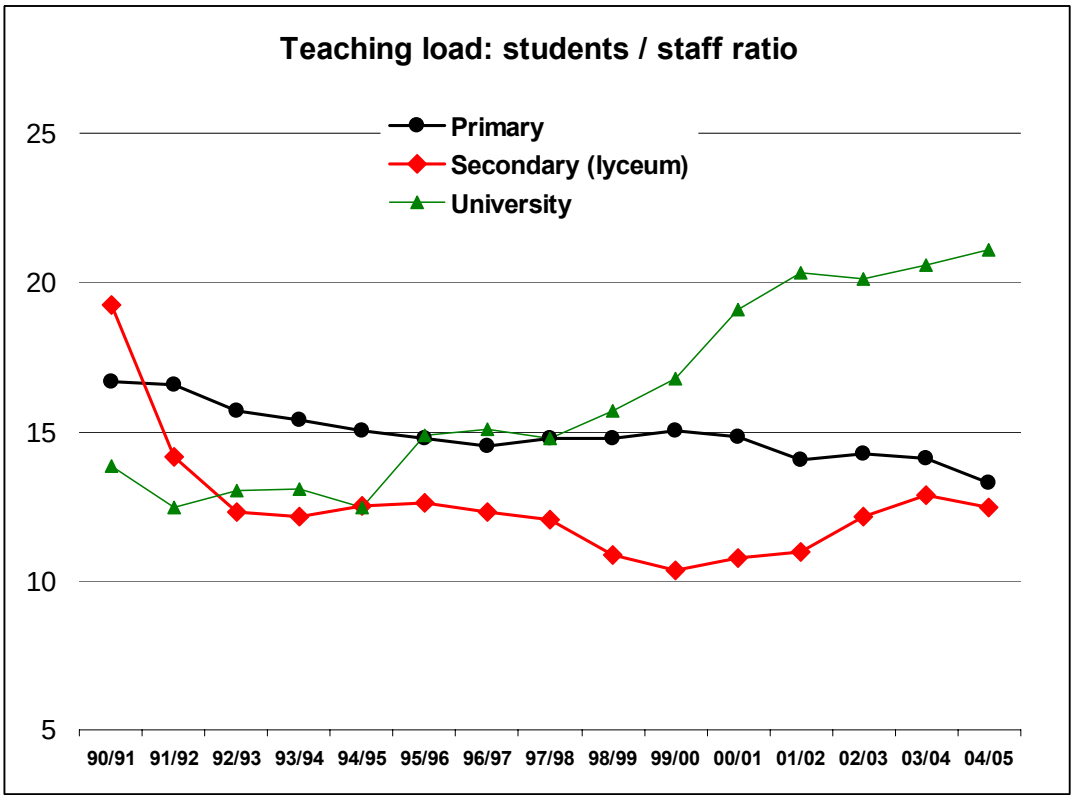
Second, the demand of the labour market is changing rapidly, as it structure and needs are completely different from ten years ago (not to mention earlier periods). Throughout the post-communist transition the social hierarchy of professions and the salary differentials among them have changed several times, new professions have appeared on the market, new sets of skills and attitudes are required. Schools that, under Socialism, used to teach one profession for the whole life have now to adapt to a more diverse pool of clients, including adults who may want to enrol in lifelong learning. The system in general is not easily adaptable to the needs of this dynamic environment.

Third, there is a palpable urban-rural divide in education, concerning small rural schools that provide education of insufficient quality, lacking qualified teachers and proper equipment. Although almost 40% of the school age population live in the rural areas, only 6% of general academic secondary school students and 1% of university students come from villages. The operation of those schools threatens equity of the education system, and is a source of serious inefficiencies. Average school size was 53 students in rural areas and 345 students in the cities at the beginning of this decade, and over 1,300 rural schools have fewer than 10 students. The marked differences between urban and rural areas reveal significant differences in education performance and the exclusion of some vulnerable groups: the scores of rural students are lower than the scores of urban students (see table above) and the enrolment of Roma (Gypsy) children is significantly lower than the national average[6]. There is broad consensus that these differences in performance are attributable to inequitable and inefficient distribution of resources. There are high funding disparities between schools within the same jurisdiction, which are greater and more challenging than disparities across local or county jurisdictions.

Finally, even though they have increased over the past two decades in line with the public budgets, teachers' salaries cannot possibly keep up with the averages in the private sector, fuelled by a booming economy and a re-evaluation of assets before – and after – joining the European Union, and have lagged behind

[6] Data in this paragraph come from: B. Voicu, L. Begu, *An Analysis of the Structure, Costs and Efficiency of Romania's Pre-University Education System*, Bucharest 1999; and *Romania: Education Policy Note*, World Bank mission, 2007.





even those in other parts of the public sector with less employees and more bargaining power. As a result, though higher every year in absolute terms, they have declined in relative terms compared to those of other social groups. In turn, low teacher salaries force many teachers to seek additional part time employment or drives away the younger and most socially mobile from their ranks, thus creating a vicious circle of poor image and low desirability of the teaching profession. This is a common problem of the transition economies, where the governments are afraid to undertake more active policies with respect to teachers, by increasing their teaching load to the Western European standards, decreasing the teacher employment, and thus creating room for raising their compensation more substantially.

One unintended but noticeable effect of these trends is the increased feminisation of the teaching staff, already high at the primary level and steadily increasing in secondary and vocational schools (see Fig above). While there is nothing wrong in principle in having a predominantly female teachers, when this is coupled with a rise in the average age of the staff, a reduced social standing and declining results of students, these are clear symptoms of a diminishing competitiveness in the profession, which starts being perceived as a part-time, baby-care occupation. Such a trend reveals serious implicit quality leakages from the system and is very difficult to reverse, once the process is triggered.

While the socio-economic pressures are clear, the school system has failed to respond adequately to them. Staffing levels are more or less the same as in the beginning of transition, though the population of students is much smaller today, due to the rigidity and input-driven nature of the education policy and administration. In consequence the student/teachers ratio – indicator with a direct impact on the budget – is steadily decreasing on the primary and secondary levels, while the Ministry of Education has no instruments to set targets on it, due to the manner in which the system is organized and managed (see Fig below). The flipside of this situation is that teaching loads are very low relative to the other EU countries, which correlates with the low payment of teachers and other staff and the low quality of new entrants into the sector[7]. Teachers are poorly motivated, barely supervised, and rarely held accountable. Deterioration of teacher conditions has lead to a deterioration of the teacher quality as indicated by the results at national teacher examinations for tenure. Mass cheating and sometimes corruption were reported during the national examinations and competitions for teaching jobs.

The overall effect of all these developments is that the education performance is poor, at least by EU (or OECD) standards, and improvements are slow to appear. Outcome indicators of educational achievement are close to international averages, but lower than in the EU, OECD, and even neighbouring countries in East and Central Europe. Romania scored 34 out of 42 countries in OECD's Program for International Student Assessment (PISA), which is worse than the average for all European and Central Asian countries and significantly below the EU countries. A high proportion of students do well, but there is substantial polarization in performance: at the high end of test takers scores are very high, but at the low end scores are very low, and there is very little middle ground, which has been for many years a notable feature in Romania, where the school system is bent towards elitism. The results, and the traditional disproportionate attention paid by the system to over-achievers and gold medallists in international science competitions, proves that indeed there are severe inefficiencies and inequities in the school system, which serves poorly its average client.

PISA Student Assessment Results for Literacy for 15-Year-Olds (OECD)[8]

	Mean score
OECD average	500
Czech Republic	492
Hungary	480
Poland	479
Latvia	458
Bulgaria	430
Romania	428

The same results, near the general average but significantly lower than other educational systems in Central and Eastern Europe, are recorded in the case of other international evaluations: TIMSS (maths and sciences for students in the eight grade) and PIRLS (reading and comprehension for students in the fourth grade)[9]. Moreover, Romania is still lagging behind and fails to reach the main European benchmarks in the area of education, set in 2000 under the ambitious plan known as the "Lisbon Agenda":

- less than 10% of early school leavers
- at least 85% of population 22 years old with a completed secondary level
- at least 12.5% of adult population (22-64) enrolled in continuous education

[7] The situation in universities is completely the opposite (too many students for too little staff) due to a rapid expansion of this sector, which was relatively constrained before 1990, and the proliferation of private universities, against a background of declining standards.

[8] www.pisa.oecd.org

[9] State of Education Report, Ministry of Education, Research and Youth. (2005, 2006, 2007)

- 20% decrease of 15 years old students with reading difficulties
- 15% increase of university graduates in maths, science and technologies.

4. THE SURVEY

4.1. The "pilot counties" and the survey sample

In this context, the Government of Romania adopted in December 2005 a new *Decentralization strategy for pre-university education*, with the aim to the transfer from the central level to school level by 2010 the decision-making, mandates and resources for the organization, management and funding of schools. In view of this ambitious goal, the provisions of existing laws, discussed above, were supposed to be "consolidated and reinforced" – i.e. actually implemented, instead of remaining deal letter on paper – and a number of eight counties (out of a total of 41; Romanian counties are European NUTS 3 local government level) were selected for piloting and refining the decentralization instruments, among which the most important was the allocation formula and the list of standard costs per student.

The eight counties were to start administrative and fiscal decentralization measure on January 1, 2005. The measures included changes in the management and decision-making duties at all levels; formerly centralized decisions were to be made following negotiations between the various tiers of the education system (Ministry, Inspectorate, schools) and with the involvement of local authorities and other stakeholders (students, parents, community, companies etc). The law stipulates that the main effort for funding education lies with the state budget, but only for staff, scholarships and workbooks. These funds are disbursed via the county councils. The eight counties have functioned for three years already in this pilot experiment, and have already faced the limitations of the funding system:

- The appropriation of state funds by the local budgets cannot take into account standard costs, let alone correction indicators, as these funds refer only to scholarships and staff expenditures;
- The appropriation of funds for salaries based on standard costs per student by local councils and schools cannot be put in place because they clash with the norms and salaries and set in other laws, which depend on grades and seniority levels;
- The appropriation of state funds by the local budgets via county councils gives the latter the status of intermediate links which may hinder or alter an objective disbursement of funds;
- The methodology used for calculating and substantiating standard costs and correction indicators, elaborated by the National Funding Council for Pre-University Education (CNFIP), currently used in the eight pilot counties in order to stimulate budget projections and allocate funds does not fully meet the allocation criteria set by law, especially those referring to quality criteria and educational performance;
- The current system of budget projections and fund allocation is not supported by a system of collection, transmittal and processing of data, to provide an objective and secure view of each school's funding needs and actual disbursements.

For the purpose of our survey, four Romanian counties out of the eight included in the pilot of the Ministry of Education were selected (Harghita, Neamţ, Brăila and Dolj), from which the **sample of schools** was drawn. The counties are representative for the four historical provinces of Romania and encompass a broad range of social, economic and geographical conditions that influence the functioning of the school system, in terms of demography, institutional culture and financial resources available. The sample of 32 schools was built so as to reflect this diversity (urban/rural, high/low population density in the area, isolation, education in minority languages, etc). Our target in this assessment are the public *general* schools (i.e. primary and lower secondary level, grades I-VIII), which forms the vast majority of the education system at this level in Romania. A small number of existing special schools (performing arts, or for children with special needs) were excluded from sampling, because they are outliers in terms of costs and governance structure.

4.2. Schools: their state and social background

As indicated, more than half of the sampled schools were in operation before 1945 and only 6.3% were set up after 1989. Although the assumption was that older schools needed higher maintenance and repair expenditures than newer schools, our research did not discover any significant statistical correlations

between the year the school was established and the level of total revenues/expenditures, or direct expenditures (staff, materials and services, transfers). Thus, the correction coefficient derived from the age of each school must be defined more carefully.

The distribution of communities based on the number of inhabitants indicates a relative balance: more than one third are communities with less than 5,000 inhabitants (37.5%), more than a quarter between 5,000 and 20,000 inhabitants (28.1%) while larger communities (over 20,000 inhabitants) account for 34.4%. As compared to the national situation, the schools in our sample operate in larger communities, on an average. Even if this factor does not have a statistical correlation with the total level of expenditures per capita, the particularities of each school influence the average costs based on the budget execution of each investigated school (higher than the national average). This statement is supported by the fact that, of the 4 counties surveyed, only Dolj had a lower level than the national average of total expenditures for pre-university education (0.818 in 2004) while Harghita (1.175), Brăila (1.035) and Neamţ (1.01) scored higher.

Residence is one of the most important variables that has an influence on the budget execution (i.e. total revenues/capita, total costs/capita, direct expenses/capita, staffing expenses/capita). A good urban-rural balanced was ensured in the sample, as presented in the table below.

Out of the 16 rural localities, a quarter are close to a large city (up to 10 km), while more than half is less than 25 km away. Only three rural schools surveyed are more isolated, being located at more than 50 km away from a city, less than 10% in the total number of schools surveyed.

Year when the school was established

	#	*%*	*Valid %*	*Cumulative %*
before 1800	2	6,3	6,3	6,3
1801-1945	15	46,9	46,9	53,1
1946-1989	13	40,6	40,6	93,8
after 1990	2	6,3	6,3	100,0
Total	32	100,0	100,0	

Size of locality where schools are located

Inhabitants	*No.*	*%*	*Valid %*	*Cumulative %*
max 2000	4	12,5	12,5	12,5
2001-5000	8	25,0	25,0	37,5
5001-20000	9	28,1	28,1	65,6
20.001–250.000	9	28,1	28,1	93,8
over 250.000	2	6,3	6,3	100,0
Total	32	100,0	100,0	

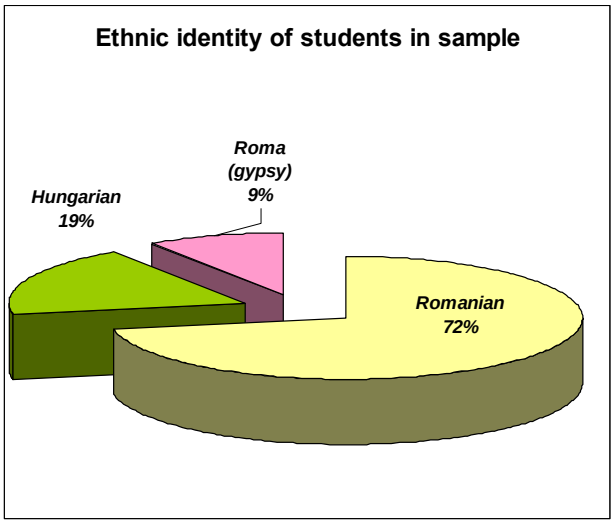
Distribution of surveyed schools by area of residence

	#	*%*	*Valid %*	*Cumulative %*
Urban	16	50,0	50,0	50,0
Rural	16	50,0	50,0	100,0
Total	32	100,0	100,0	

Average distance to the closest city in the case of schools located in rural areas.

Km	*#*	*%*	*Valid %*	*Cumulative %*
0	16	50,0	50,0	50,0
8	2	6,3	6,3	56,3
10	2	6,3	6,3	62,5
11	1	3,1	3,1	65,6
15	1	3,1	3,1	68,8
17	2	6,3	6,3	75,0
18	2	6,3	6,3	81,3
19	1	3,1	3,1	84,4
20	1	3,1	3,1	87,5
22	1	3,1	3,1	90,6
55	1	3,1	3,1	93,8
75	2	6,3	6,3	100,0
Total	32	100,0	100,0	

Due to this distribution, it was not possible to test the influence the degree of isolation on the budget execution (i.e. total revenues/capita, total costs/capita, direct expenses/capita, staffing expenses/capita) but our assumption is that the more a school is isolated from a



municipality, the less likely it is to receive funds matching the core needs for covering teaching equipments, maintenance costs, repairs and investments in infrastructure. A test on a larger sample of schools (with a higher share of isolated schools) could confirm our hypothesis. If proved true, this would demonstrate a strong disequalization effect of these allocations.

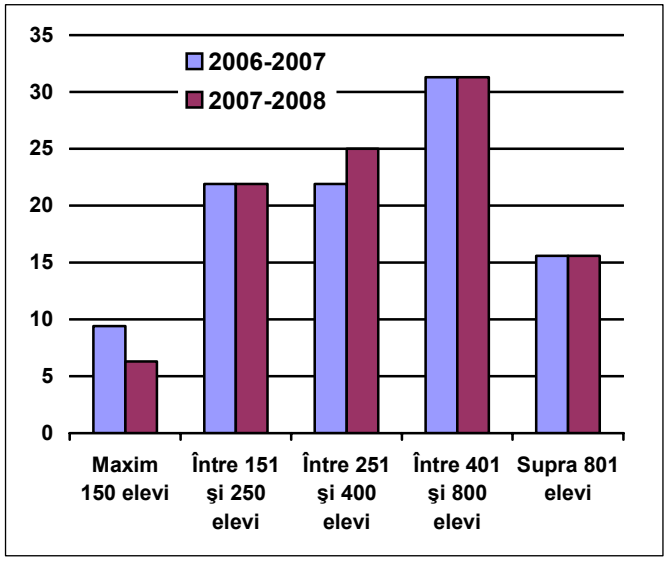
As shown in the chart above, we have selected the schools so as to illustrate the diversity in the population of students in Romania public schools.In fact, out sample over-weights the ethnic minority factor, precisely in order to better capture with such a small sample the specific challenges raised by it: one of the four counties included (Harghita) has a predominantly Hungarian population. Otherwise, in the total population of Romania, Hungarians represent only 6.5% and the Roma about 5-6%. We thought this overweighting important because public education in the languages of national minorities, mandated by law, implies additional financial resources: (i) regular subjects have to be taught in that respective language, and (ii) the language and history of the national minority have to be offered as stand-alone subjects. Both requirements lead to the creation of additional equivalent norms, witch means an average of 5-6% increase of staff costs in the case of these schools.

Most schools (84.4%) have independent 1st to 8th grade classes, only 12.5% being integrated in a high-school and 3.1% in a vocational school. As in the case of the isolation factor, this distribution did not allow for an analysis of budget execution based on the type of school. Even if statistically we have not tested if cluster schools (i.e. schools of different levels functioning as one legal unit, using the same premises) have a better financial status than independent units, the field research found several evidences supporting the assumption that primary and lower secondary schools that are included in such clusters are better-off: teaching staff is more qualified, teaching equipments and general infrastructure is of a higher quality, there is a better capacity to attract own funds etc. However, the data in the case of cluster schools is difficult to calculate accurately since it is often not clear what are their "shares" in the contribution/consumption of the sub-structures of the general units.

Distribution of schools in the sample by type

	#	%	Valid %	Cumulative %
Normal, I-VIII grades	27	84,4	84,4	84,4
Incorporated in vocational schools (SAM)	1	3,1	3,1	87,5
Incorporated in high schools	4	12,5	12,5	100,0
Total	32	100,0	100,0	

Size of schools (pupils)



A special case is that of additional vocational classes within independent I-VIII schools (IX and X grade, part of the compulsory education) that were transformed into School of Arts and Trades schools by a Minister order, aiming at receiving a higher level of funding from central budget as a Vocational Education and Training Unit offering a level 1 professional qualification

to the graduates. Due to the lack of preparation of this measure, an important number of independent I-VIII schools were "swallowed" and treated only as providers of students for the higher levels, with a negative impact on students educational achievements. However, there is no official evaluation so far on the impact of this measure.

The average number of students per school in the analysed sample is 438, lower than the number used in the MoE's piloting scheme (urban school with 500 students). This may be another source of differences in our research and the national simulations regarding the standard cost per student. The evolution of the number of students in the researched schools shows that, on an average, in 2007-2008 schools had 97.8% of the total number of students recorded the previous year (standard deviation of 7.86).

One of the variables taken into account for measuring the school performance is the success rate registered in the case of national examinations[10]. According to the number of students in examinations, the graduation rate for the national 8th grade tests is relatively high for the researched lot (81.46). However, this rate would be lower if we compared the number of students graduating the 8th grade with the number of students registered for the 8th grade (about 70% for urban areas and 45% in rural areas). The high graduation rate does not allow for any testing of correlations with the average revenues/costs per capita (for the 32 schools).

Another indicator of school performance tested was the percentage of students who drop out in the total school population. In the case of our sample of schools the average rate registered for the school year 2006/2007 is 1.2%, almost half than the official drop out rate registered at the national level[11] (2.2%). Only a fifth of the surveyed schools have a similar or higher rate than the national one. An important factor when studying possible leakages, we can say that at the level of our sample this phenomenon is isolated and with a weak influence on the budgetary execution: if we take into consideration the average number of students per school, we see that the average loss is less than 0.3% in the total budget.

Over 25% of the students in the researched schools come from families with total income below the national average. Unfortunately, the Romanian school system has not implemented yet a system to monitor more thoroughly the social environment of pupils in order to identify those in a risk category. Related to this, in most of the cases the principals we talked to estimate that that the fraction of students coming from families with "low education levels" is under 25%; on the other hand, our first-hand data show that almost 10% of the researched schools have more than 50% of the parents with primary or no education at all, which indeed supports the notion that the education system tends to underestimate (or underplay) the issue – and the risks associated with it.

One in three schools surveyed reported that most families have a low level of income, most of these schools being located in rural areas or at the periphery of urban areas. We have also observed that the schools with low level of parent's income are correlated with the degree of isolation (distance to the nearest municipality) of the area in which the school is located.

The proportion of teaching staff in the total school personnel is around 75%, the average norms of teaching staff being 36, as presented in the figure below. The distribution of schools by average norms of the personnel shows that most of the schools have up to 35 employees while less than a school in five has a staff over 50 employees. However we can notice that in comparison with the national level the small schools (less than 20 employees) are under-represented in our sample.
The main variables in relation with the school educational resources are related to the teaching staff: share of qualified teachers, share of teachers having a long term contract with the school, share of teachers communing and share of teachers that obtained at least a medium professional degree.

The distribution of staff depending on these variables is similar to the average national distribution, except for the commuters, for whom there are no official statistics at system level. The teachers in the sample schools have in general good qualifications (only less than 5% of the teachers are not qualified[12]). Also there is

[10] Since 2007/2008 school year, there is a new system of assessment based on standardized tests at different subjects in grade VII and VIII, as part of the general instruction program of this level (not an additional exam, as it was the case before).

[11] *State of Education Report* – 2007. Ministry of Education, Research and Youth.

[12] A teacher is considered unqualified when he/she has not relevant studies for the subject taught or has not graduated a pedagogical long-term program.

a relative high share of teachers on long-term contracts (three out of four). On the other hand, the picture is less rosy regarding the teachers with an average professional degree (a relatively high 55%) and the high share of commuters (around 30%) with a potential negative impact on the quality and reliability of teaching. A quarter of the surveyed schools declared that two out of three teachers are commuting every day, a point of concerned that was so far little analysed in the decision making process but may be important when transportation conditions are difficult (with only one bus to catch or with irregular schedule of transport means) and causes delays in attending classes for teachers, shortening the duration of some classes, eliminating extra-curricular or after-school activities – all potential sources of leakages in education financing of those schools.

The availability of human resources (teaching staff) in the selected schools varies, as expected, with the number of students and the general conditions in the area. A comparative analysis of schools with similar school population proves that there are relatively important differences between schools, despite the very strict regulations in relation with the planning of teaching norms. The student/position ratio for teaching staff records minimum values in the case of rural schools (even below 7 students/ teacher) while the maximum is well below the legal limit (17.7 in comparison with 25). The average ratio is one teacher per 12 students, against the national average of 13.6 for the whole pre-university system in 2004-2005.

Students / staff ratio in the sample

Mean		**11.99**
Std. Deviation		3.18
Range		11.01
Minimum		6.72
Maximum		17.73
Percentiles	20	9.16
	25	9.70
	50	11.19
	75	14.45

The low ratio recorded can be explained by the fact that an important number of schools in our sample are functioning very close to the minimum legal requirement of student population, but also by the fact that 20% are not even following this requirement, having less than 200 students. A per capita financing formula would put these schools in a severe situation of disadvantage, which also explains the teachers' resistance to financial allocation reforms. At the same time, the field survey pointed out that at the system level there are no additional requirements (in terms of their students performance expected) for teachers working with classes under-populated in comparison with their colleagues that have a double even triple number of students. Individualized learning and a stronger focus on differentiation in the classroom (in teaching, designing curricular materials, evaluating etc.) is not a priority for existing continuous training programs and these teachers are not strategically targeted.

4.3. Management

Most principals serve a second term at the moment (6.3 years of mandate) while the average number of years in a management position is of more than two terms. Courses held by Inspectorates in their counties courses attended by more than 80% of the principals in office. A significant ratio is covered by national programs or master's degrees (almost a third) and post graduate courses (over a quarter). However, although they attended university management courses, two out of three school principals do not have any training in fiscal decentralization.

The stakeholders (principals, staff and, partially, parents) in our sample think that the teaching materials (score of 3.41 for an average of 3.0) and infrastructure (score of 3.31) at their disposal are of average quality. However, in one school out of ten the equipments and infrastructure are reported as poor. What is more encouraging is that only one school out of the 32 surveyed reported the quality of infrastructure as being in the same condition as four-five years ago; all others have seen gradual or spectacular improvement (see Fig below), which is probably a reflection of the massive increase in funds available after 2001 (and especially after 2005 when for the first time the psychological target of 4% of the GDP allocated to education was reached), due to the buoyancy of public budgets and the general economic growth.

All principals declare that parents and community representatives are members of the school board and two thirds think that the latter take active part in decision-making. Individual interviews with stakeholders show, however,

that these opinions are not always grounded, and a significant wishful thinking (or desirability) effect may influence the answers. NGOs and companies score lowest with respect to support for schools (1.97 and 2.13 respectively – an average score of 2.5).

Two schools in three believe that NGOs answer very rarely, if at all, to such requests. Most schools are moderately happy with the way local governments (mayor and local council) answer their requests (3.13 score). Over 80% of the researched schools believe that municipalities answer their requests often or always.

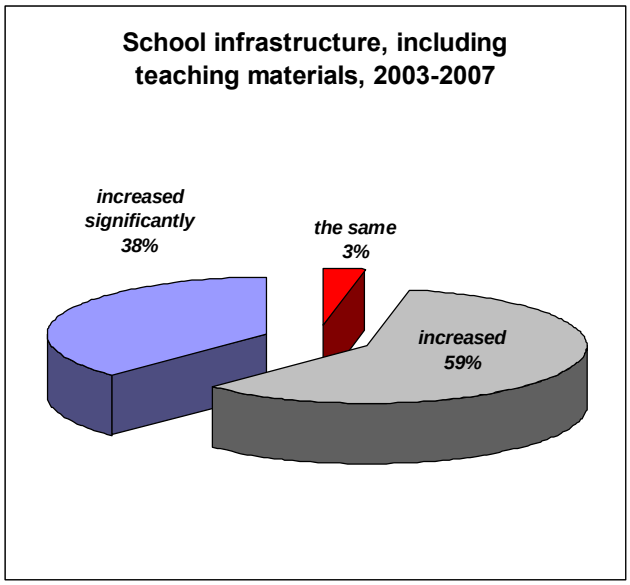
On the other hand, only 19% of the schools surveyed have any experience in running EU funded programs for education or vocational training, or projects with other international partner institutions. What is more, the average value of such a project is about €2,000 per school, which shows that they are probably useful mostly as a training ground in new managerial procedures and a mind-opener for the school leadership. The percentage of schools participating in similar projects administered through the Ministry of Education is higher (28%), and these have a higher average value: about €8,100 per school. But these are also less competitive and pushed primarily by the central administration, therefore representing a weaker indicator of local initiative and capacity.

4.4. Students' truancy

Even though only two schools have a total number of student-hour absences above what is stipulated by school regulations, this indicator may be under-evaluated, both because it refers only to unmotivated absences, and because of the way schools register these absences (desirable answer category). Individual interviews have shown that schools do not record or motivate absences for various situations: senior students (where discipline is looser), housework or seasonal work, especially for students from poor rural households, etc.

However, the average of 3,000 absences per school must be carefully considered. If we take into account the average number of students per school (452) an average of 8.6 missed hours per student results, which amounts to 1% loss in the total time spent at school in a year. An analysis by quartiles shows that in case of one fourth of the schools in our sample this loss is double.

There is an important element of "resource leakage" in the pre-university system implied by these figures, which can be estimated at around



Unmotivated absences of students, per school and per student, year 2006-2007

		Per school	Per student
Average		**3004**	**8,59**
Median		1731	5,55
St Dev		3058	9,85
Min		134	,2
Max		12,954	50,0
Quartiles	*10*	*280*	1,04
	25	*916*	3,17
	50	*1731*	5,55
	75	*4155*	11,22

2.5-3% of the allocated resources, if we take into account the likely under-estimation of absence reports and the number of motivated absentees. Even more interesting to notice is the fact that the truancy among pupils does not seem to be due to a small number of problem-cases, as it is sometimes assumed, but broadly distributed in the total population of students. Parents are often contributing to this situation, ignoring or even encouraging the truancy (often offering their children private tutoring for preparation of exams), the burden of the existing curriculum and the efforts students have to make in order to fulfil all their school tasks being very much publicly debated in the last years. As we will see later, the lack of educational objectives in the resources allocation

mechanisms is also reflected by this situation since we observe on one hand the lack of motivation of the main beneficiaries of public education (students and parents) to get benefit of these services; and on other hand the system of education willing to preserve a status quo in resources allocation (by using a historical budget allocation mechanism).

5. FINANCIAL DATA ANALYSIS

The average value of annual expenditures declared by the surveyed schools is around €390,700 per school, which amounts to an average of **€871 per student** in our sample (table below). The standard deviation of this distribution is also relatively high (€251), which should be one of the major concerns of the managers of the national education system. The differences between revenues and expenditures are quite low (there is an "absorption" rate of 98.4% with less than 10 % of schools with a negative balance).

This level is 2.5 times higher than in 2004[13], but we cannot say to what extent the average performance of schools have followed the same evolution. The lowest registered level is 1931.6 RON while the highest is 5221.6, with a relatively high standard variation of 915.2 RON. Analysis on quartiles shows that ¼ of schools top the 1,000 €/student ceiling.

Such a high variation of the level of funding per student must be carefully considered, especially if allocation patterns are similar year after year. Excluding the exceptional situation of capital investments (central or local), it is possible to have here one of the important measures of inefficiency and inequity for the education system, especially because schools tend to attract very little additional money from independent projects. In other words, these are mostly state budget revenues, distributed automatically by the system, and there is no plausible explanation for such variations, other than the force of "historical costs". An international comparison (with other partners in the project) is welcome at this point in time.

The most usual form of own revenues is the leasing of various facilities: out of the total number of school stating that they have other revenues, four out of five mention this source. However, revenues from leases represent only 1/5 of the total own revenues in the researched schools. The same thing happens with revenues from donations and sponsorship. Although a relatively more popular source, mentioned by one school in three stating they have other revenues than those form the state or local budget, their value is still less than 5% of the total revenues.

Revenues drawn from various programs or projects are mentioned by 1/3 of the schools, and their value is the most important in their total revenues (about 41%). As it can be seen below, these activities are especially important for part of the investigated schools. Although mentioned by less than 16, i.e. 11% of the total number of schools with own revenues, financial resources attracted by educational activities or

Comparison revenues/expenditures per student (2007): sums in RON (exchange rate, approx. 3.6 RON = 1 €)

		Total revenues per student	Total expenditures per student
Mean		**3184**	**3135**
Std. Deviation		905	903
Minimum		1932	1932
Maximum		5222	5222
Quartiles	25	2433	2425
	50	3088	2860
	75	3581	3568

Sources of revenues for the schools surveyed, % of total (2007)

Personnel costs: central government transfer, %			84.4
Investments, services, maintenance, %	Central government, %	15.6	2.2
	Local government, %		11.4
	Own revenues, %		2.1

[13] Dogaru, Ilie (2005) *Average costs in pre-university education,* Ceres Printing House, p. 34.

various fees are relatively high in value, for other revenues than the ones from public sources. The table below is making a synthesis of the share of different sources of revenues in the total:

As explained before, the central government finances the personnel costs through an earmarked transfer, while the current maintenance and capital costs are mainly the responsibility of local governments. However, there are national programs that fund some goods and services (free meals, teaching materials, etc) and, especially in the last two years, increasing central allocations for investment, through national programs for schools rehabilitation[14].

5.1. Factors that do influence the level of expenditure per student

Even if the number of schools with a severe degree of isolation (distance to closest town) is relatively low, there is a significant statistical relation between this factor and the level of expenditure/student of a school - see the chart below. In general, it is expected that that more remote a school is from a city (as an economic centre), the less money will get from local sources (poorer local budgets).

Another statistically significant relation concerns the total number of students and the expenditure level of a school - see figure below. The schools that have a higher level of expenditure compared to the number of students (points divergent to the linear curve) also have high levels of capital expenditures, influencing the overall expenditure level. However, even put in relation with current expenditures, the curve estimation is still divergent from the linear curve, indicating that there are also other explanations for this situation. A look at the schools located in the rural areas, with a reduced number of students, shows that also in their case the level of funding is higher than in other schools (calculated as per student).

This result is encouraging from the perspective of the change of the existing financing mechanism from historical budgets to a per capita type of funding. As can be observed in the chart, beyond disparities between schools in relation with the level of expenditures, there is a clear trend on *financing following the student*. However, this phenomenon is more accurately described as *financing following the teacher* (and subsequently student following the teacher).

The ability of a school principal to justify/obtain teaching norms in a school year (even if the class size is at a legal minimum or some students declared as enrolled never show up) pays off, as the focus in the current financing system is on staff not on students. Very often, the school principal uses the "half-norms" as rents for his staff (needing to complete a norm or to have additional teaching hours). Difficult to be checked, the school manager has an efficient tool to create fidelities and support within his staff.

It is interesting to notice that, although the number of students is one of the important factors in the budgetary allocation, in practice the allocation mechanisms are failing to take into account the demographic trends. More than 75% of the schools surveyed have fewer students than in the previous year, but the value of the expenditures per student (established by a historical budget) didn't decrease as we expected but, in most of the cases, increased (the level of financing remained the same plus was indexed with the inflation coefficient but was divided to a lower number of beneficiaries of the service). At the same time, the level of expenditures/student didn't lower when compared to the schools where enrolment trends are positive. In other words, the actual use of historical costs undermines schools' motivation to attract more students and, implicitly, to compete for resources.

Just as in the case of students, the number of teaching staff is significant related to the expenditures per pupil in schools. With very strict and standardised regulations in relation to the teaching load, teacher/students ration and average number of students/class this is a confirmation that in this area there are little irregularities. However, just as in the previous case, there are some schools where the number of teaching staff is higher in comparison with schools with similar number of students.

This test confirms the influence of staffing costs over the revenues of schools. However, there is direct correlation only for teaching staff. Our research did not find any significant relation of the auxiliary teaching staff or non-teaching staff over the revenues of schools, although this is also strict regulated and linked with the size of a school (number of students). The variation can be observed especially in the case of auxiliary

[14] In 2006, for instance, an important rehabilitation program was launched in 1/3 of the 4,000 schools in poor condition (heating, running water etc.). Details State of Education Report 2007, Ministry of Education and Research.

staff. We can assume that a possible explanation is the different role that the local governments are playing in hiring non-teaching (administrative) staff and also the relative high mobility of this category on the labour market (minimal professional competences required). It is interesting to note that some school principals from large cities complained that it is more and more difficult to recruit non-teaching staff.

5.2. Factors that do not influence the level of expenditures/ student

Despite the recognized differences between rural and urban schools (i.e. size, teacher/student ratio, qualification level of the teaching staff, contributions of the local budget to current expenses etc.), the analysis of the variance shows that there is no significant relation of the area of residence in the case of level of expenditure per student (Annex 1). In our sample the first three schools with higher levels of expenditure per capita are from rural areas while the last three are from urban areas. This means that, in our sample, some presumed sources of disadvantage are not verified and, at the same time, that there are other factors compensating for the disadvantages. Looking at local contributions we notice that the urban schools have an advantage in comparison with rural school; on the other hand, rural schools compensate by receiving more funds from central budget within the infrastructure programs. So, even if there is an overall advantage in the average spending per student for the urban schools, the difference is not so important to be statistically significant.

Qualifications and teaching grades have an important influence over the staff costs and school budgets implicitly, being one of the main source of differentiation of salaries of teachers, in addition to years of experience. However in our sample this influence is also insignificant, as can be seen in the chart below, where the tendency is almost reversed: schools with lower percentages of qualified personnel have higher levels of expenditure per student. As in the case of other independent variables tested, the schools in our sample are not very homogenous, so there is a large variety of possible factors of influence over the level of spending per pupil which are hard to test.

In all individual interviews, principals have recognized this factor's influence over the school budget, some of them expressing concern as to the trend in some schools to hire less qualified staff in order to minimize costs (starting again a rent seeking game with didactic norms). We tested statistically the significance of the relation between the size of a community and the level of funding of the school functioning in that community. More precise we have tested if larger is the community where a school functions, more likely it is to have a bigger budget. As in the previous case, the relation is not statistically significant (see Annex 1).

Even if in more than 20% of the schools in our sample the average number of absences per student is close to the upper limit allowed by school regulations and truancy means that the particular service is not provided to the beneficiary, the variance analysis did not detect a relation of this factor with the level of expenditures per student. Systematic analysis of the pools of absenteeism and conditions of schools with high rates of truancy must be further investigated (over 10%).

Discussions with school actors showed that the level of motivation of students to complete the compulsory education decreased sharply in the last years. Moreover, since 2003 the duration of the compulsory education increased by two years, making life more difficult in the classroom, where teachers are discouraged to teach and students are discouraged to learn. Often teachers are expressing the negative attitudes towards the students and their lack of performance, starting a prophecy that in the end will become a fact: with a lower self-esteem and motivation for study, with a less than stimulating learning environment, students start to miss classes and, some of them, will come to dropping out eventually.

Moreover, in cases when the family is counting on the help of the student in the household or in working for an additional source of income, the tendency to abandon school is not fought against but accepted and even encouraged by the parents. As the lower educational attainment of the family entails lower educational aspirations from the children, a vicious circle thus appears. Less strategically focussed on the vulnerable group of students on the verge of early drop out, the system of education is often closing the circle, by imposing the same educational standards to these students as to the gifted students[15].

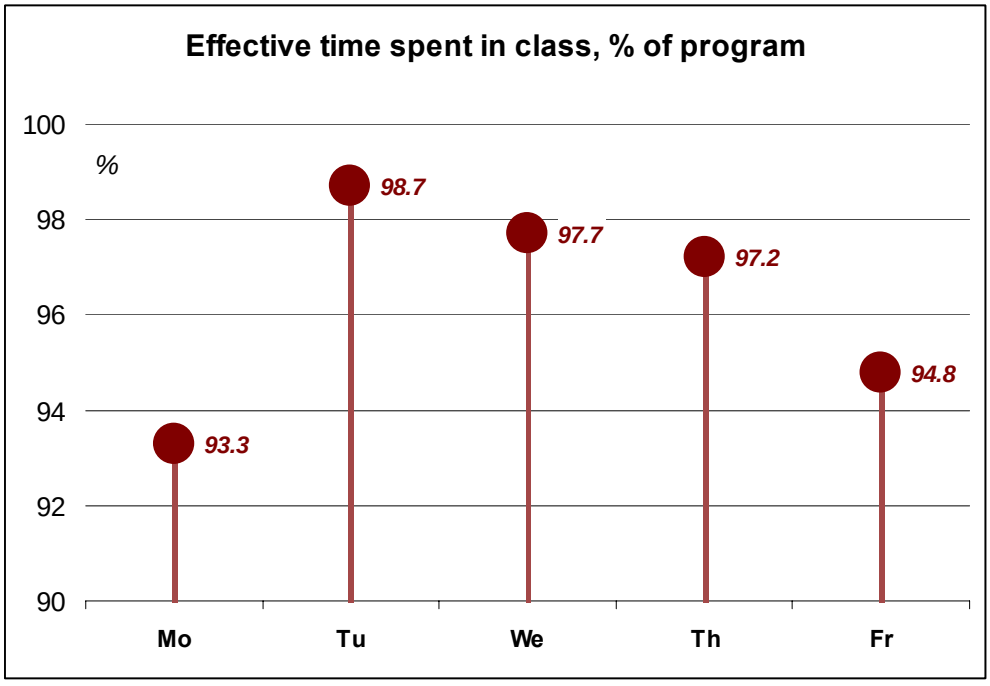
[15] Only recently, after piloting in Romania the Priority Education Area type of intervention (promoted by Institute of Education Sciences and UNICEF), the central authorities accepted the idea of an alternative curriculum for students with special educational

Underestimated officially and focused only on justified absentees, the truancy rate should be adjusted up to an average of 2.5-3% of total school time lost, as indicated in section 4.4 before. Taking into account that it is particularly concentrated in specific areas, it would be expected that the decision-making authorities include this issue on their agenda as a matter of urgency. However, there is no preoccupation in this respect so far and continuing to ignore absenteeism, both among students and teachers, equals with a negative signal sent to the actors in the system. A failing school will just be the perfect vehicle for a failing morale.

On the other hand, absenteeism is relatively low among the teaching staff, but much more difficult to estimate objectively, for obvious reasons. It tends to be higher in rural areas, because (i) a larger proportion of staff commute from other localities, and (ii) some local teachers tend to have small agro farms that require their attention. In general, the problem is not that the classes are completely missed, but that some teachers tend to shorten the teaching time by coming later or ending the class earlier than they should. Inspectorates are aware of the situation, as it has become clear during our interviews, but have little appetite to intervene since it is already difficult to attract and retain staff in difficult schools or in isolated rural localities.

A detailed survey[16] run in 2008 on the time allocation of pre-university students reveal the following weekly pattern, which is actually a measurement of the implicit rate of absenteeism of teachers in the selected counties (chart above). The average fraction of the time lost resulting from calculations is 3.7%, but it tends to be close to 5% in difficult areas (rural, remote). This estimate does not include the time lost by students because *they* missed classes – it is the fraction of time lost *while* being at school. Therefore it is a good proxy for staff absenteeism. In order to have the full picture of the leakage due to absenteeism, the two components (students and staff) should be therefore compounded. The result is (2.5-3%) plus (3.7-5%), which gives a total of 6.5-8%.

The level of students achievement (results to the national examinations – see Annex 1) and the level of the expenditures per student are disconnected in our survey. Even if it is expected that schools with the best results be also capable of attracting important additional resources, in the case of our sample this is not confirmed. It is an area that needs much more attention, an in-depth survey on a representative sample of schools being very likely to offer important information for the existing National Agency for Quality in Pre-University Education (ARACIP) projects to link



needs, including those coming from social and cultural disadvantaged backgrounds.

[16] Jigau, M (coord) *Students' time budget. An in-depth survey* (2008) Institute of Education Sciences, Bucharest.

the financing and the quality assurance processes.

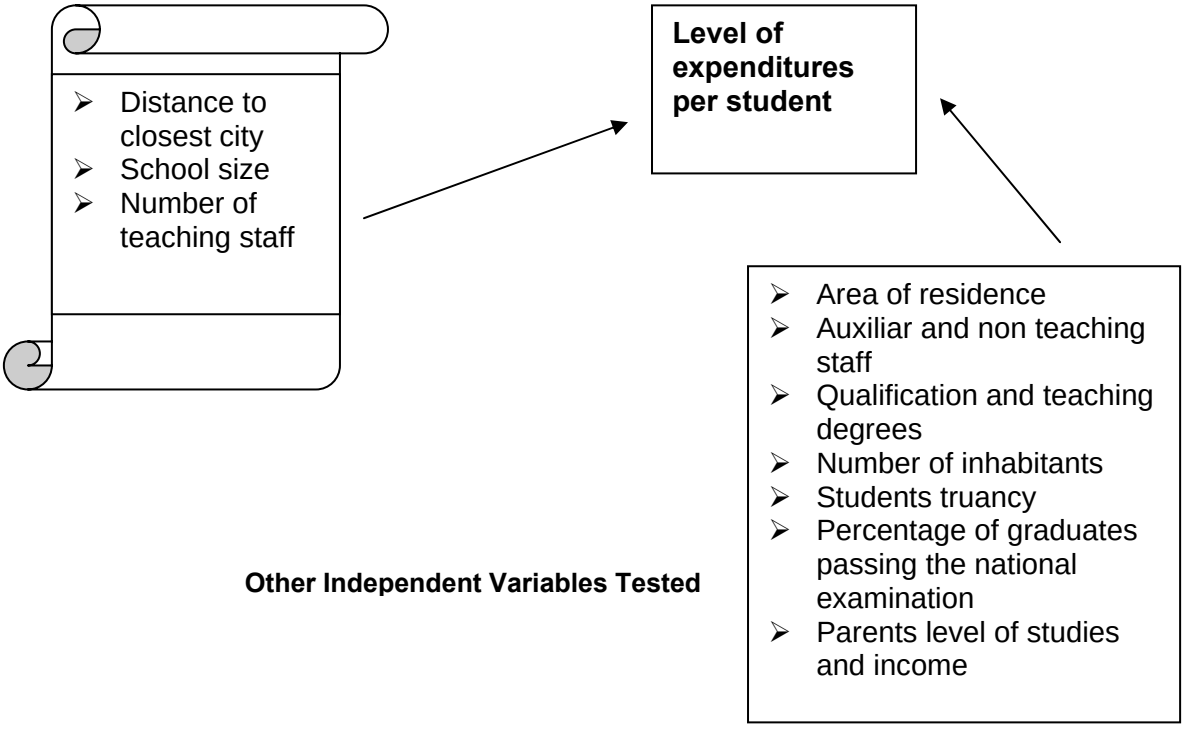
The statistical tests on our sample of schools and the information collected during the school visits highlights also the idea the current budget allocations react very little to context factors, to changes occurred on a short notice (such as the level of studies of the parents or the income). As a school principal stated: "we ask from the local authorities from duty, every year, with a detailed justification for every category of costs, even if us and they know that at the end of the day we will get about 1/7 of what we have asked for and also some promises for rectification period."

Moreover, the budget is rarely secured for the entire year, as a substantial fraction comes at the autumn rectification, and the budgetary projection must be made for maximum one year time. No multi-annual budgets are allowed to schools, as public institutions. As a consequence, big investments are very difficult to be made (only in Bucharest more than 30 schools rehabilitated with funds from European Bank for Reconstruction and Development are close to a ruin after more than two years of irregular financing and work).

Financing by needs may prove a Pandora box for the educational system in its current structure, since the more developed a school is, the more funds for current operations it needs. School principals interviewed indicated that expensive laboratories mean expensive maintenance costs, modern teaching equipment mean high running costs (consumables, service), specific types of investment entail other capital expenditure, etc. The historical cost system is hiding an unfair distribution of funds and political decision should be now expressed for closing the gap. Specific educational interventions (for instance the World Bank program for Development of Rural Education[17], the system of priority education areas etc.) pursuing the increase of educational service quality for marginalized groups are expensive but should be developed, following the principle of positive discrimination. Unfortunately, the current funding system cannot provide such interventions, as it cannot identify and answer to the urgent needs of these schools as it can not provide a solid argument for those who deny the equity of the current funding system.

OVERVIEW OF VARIABLES TESTED

Significant Independent Variables



Other Independent Variables Tested

[17] www.rural.edu.ro

Our research has not identified any statistically significant relation between the level of funding for the researched schools and the ratio of students from national minority groups, although, as we have seen, there were schools in our sample where these students attend in high numbers. Although additional teaching staff is necessary (to teach specific subjects, like native language and literature) and additional costs, implicitly, these differences have not been shown, as they were hidden by other differences: residence, student / teacher ratio etc. again, the features of the investigated sample and difficulty in isolating such a factor (keeping the other similar features in the researched school sample) explains the fact, as is the case with school premises or managerial experience.

6. CONCLUSIONS AND RECOMMENDATIONS

6.1. The main challenges and barriers

The widely shared view in Romanian at the moment is that decentralization policies in education have remained hesitant, poorly coordinated and insufficiently substantiated, based on the experience of pilot programs developed since 2002-2003. Our present research provides additional details and nuances to this broad conclusion. On the one hand, decentralization in education has been, in many respects, a *front-runner* of public administration reform in this field. Most of the managers and school principals interviewed have been involved in various piloting programs and emphasized the specific difficulties of such "pioneer work". On the other hand, they also complain about the slow pace of systemic reform measures, especially the various kinds of shortcomings in the *policy learning* process*).*

a. At the macro level, the system is confronted with the paradox mentioned in the first section: the Ministry of Education, who is politically responsible for the education policies, has little direct control over the money going into the system, at the central and local levels – the issue of *budget vacuum*. Therefore it has little incentive to act on reform plans, little capacity to do so and cannot capitalize on the beneficial results of resource reallocation in order to make the system work better: whatever funds may be saved through rationalization on certain budget lines, they cannot be reallocated to other education priorities.

b. At the grassroots level, the school principals' negotiation powers remain relatively low, both in relation with local and county authorities. On the one hand, principals do not have the necessary competences in this field, they don't know how to communicate efficiently with decision-makers, don't know how to identify effective strategies in line with the various styles of decision-makers and there is still an unclear image about the involvement of local councils in decision making in education (*to support us, but not direct us, because we won't listen to people with only four grades)* etc.

c. Researched schools in the decentralization pilot only pursed two out of three essential dimensions of comprehensive decentralization (fiscal and human resources), but did not adjust the curriculum to the specific community needs too much. It was to be expected that such decisions cannot be made at county level, as there were no public debates on CDS (curriculum decided by schools); this initiative has been subordinated by the management team and used as an instrument in providing teaching norms. The national curriculum is very little adjusted to specific educational requirements (except for marginalized groups, for whom there is an adjusted curriculum promoted by the *Equal access to education programs*) and minimum opening towards educational actors as parents, students, local authorities, companies or civil society organizations. Under these circumstances, the wish for partnership and involving schools in community life in order to meet development needs is as ambitious as it is remote.

d. The main governance issue at the school level is the imbalance between autonomy and delegated mandates. As schools depend fully on central authorities (through its decentralized units/school inspectorates) and local authorities (local council/municipality) in terms of budget drafting and execution, they have to make full use of their negotiation powers in order to secure proper finance. There are many adjustment strategies that management teams try in order to provide a satisfying level of revenues, among which:

   → Political support (especially if there are similar political preferences of the principals and decision-makers at the local, county or national level)

→ (an NGO, association or foundation) to supplement funds (by initiating own projects) or facilitate budget execution of own revenues

→ Attracting additional resources by developing partnerships with national or international NGOs, companies or other organizations involved in funding schools projects (especially for schools with different categories of students: Roma, marginalized groups, special education needs etc.)

→ Lobby or public protests, strikes, rallies (especially towards local authorities)

→ "Pushing at the limit" on legal provisions about norms per position (teaching and non-teaching) and the student/teacher ratio

→ Use the media to order to show special situations regarding school needs (unfit spaces, lack of sanitary measures etc.), especially in the intervals when public budgets are rectified (Aug-Sep)

e. On the other hand, as there are no transparent criteria for resource allocation, the authorities cannot be held accountable for the current funding practices. The lack of school performance assessment criteria for all actors involved in the system makes difficult the funding by performance and the encouragement of quality education. It is relevant in this case that, although funding for pre-university education has increased over the past few years, there is no survey to assess if this investment is reflected in better results and a higher performance level of these schools.

f. From our survey, we see no correlation between any objective measure of performance or need (geographical isolation, minority languages, high fraction of students from risk groups, etc) and the funds distribution per capita. Historical patterns of allocation seem to be well entrenched and the pressure to rationalize school network is low – see also point (a) above.

g. While funding based on the number of students is largely accepted as a principle, it raises many practical questions regarding details and its effects. Although there have been many studies for calculating this formula, many issues have arisen in the pilot counties where it was attempted, which led to the need to improve/refine it. Moreover, its testing at system level is not possible without the other counties having gone through the same stages of preparing a new funding system. Our research identified an important amount of schools that are functioning with a smaller number of students than the one officially allowed; with no rationalisation measures of the system, these schools will be the first disadvantaged from a per capita system.

h. As is the case of other evaluations of the pilot programs (i.e. MoE, 2006), our research also identified many situations of confusing interpretation and discretionary law enforcement, as explained by the absence of counselling, training and legal assistance structures (at county/regional/national level).

i. A visible point of ineffectiveness in the system is the preference for universal coverage on certain social measures meant to support the needy through the primary education, such as the free meals (*roll-and-milk* national program) or the free textbooks. Speaking about the former, some principals interviewed have remarked that in schools where the average student comes from families with average and above average income, this snack is simply thrown away, which only increases the waste collection bill of the school. There is no correction mechanism to recover and redistribute the food in community and no systematic assessment of the percentage of students in the system for which this measure is indeed a positive benefit.

j. On the other hand, other social programs are more restrictive in targeting students (the subsidy for office supplies, for instance) and very few students are actually covered. Some are really bureaucratic steps (and costs, for instance for making a personal file and submit it), and this creates obstacles for potential beneficiaries (the subsidy for laptops). However, our research has shown that managers are on average relatively satisfied about the impact of these programs on target groups.

Individual interviews reveal that there are many cases of resource distribution without transparent criteria, both from the school Inspectorate and from local councils, especially when it comes to capital investments. Personal and informal relations with decision-makers (based on political links or not) seem to be

important factors of influence in supplementing the available funds for the school. This situation is also maintained because of the unclear distinction between decision-making authorities at school and community level (local councils). The research identified several distribution channels for the central level funds down to schools, many times used in parallel and all with advantages and downsizes.

When compared to other sectors of the Romanian public administration, however, the education system still appears less affected by leakages orchestrated deliberately by interested parties with the purpose to gain illegitimate benefits. It may be the case that, like in other social sectors where the capital investments are relatively low – or at least were so until very recently – and the bulk of the funds cover personnel costs established rigidly on a national grid, there is little scope for manipulation. It has been noted elsewhere that:

> "Social sectors are probably less affected by political clientelism in money allocation than the investments in infrastructure or the general-purpose grants for local governments. In our case, it may be that school headmasters are not (yet) important political assets in a community to be head-hunted by parties, since they do not have much decision-making power or visibility. Or it may be that in a public bureaucracy the possibility to extract side-benefits is much higher in large infrastructure projects than in labor-intensive social sectors (Hirschman, 1967), with the effect that there is a tendency towards over-investment in the former and under-investment in the latter. We should not be surprised therefore when we find the same correlation with political clientelism in the first case but not in the second."[18]

The disparities in total funds available per capita of student are high indeed, but they are mainly due to the initial, historical misallocation of assets and staff inherited, which proves to be hard to change. The limited dimension of the political influence could be detected in both the percentage of "favoured" schools in total but also in the share of funds politically "controlled" in the total budget of a school.

6.2. Leakages from the system

Until now, such direct ***leakages*** from the education system did not represent a problem. However, it is possible that the situation may change with the increase of the investment budgets made available to schools (and local governments) which has taken place over the last years. The schools in our sample already spend almost 16% of their funds on capital investments, maintenance and other services. Out of this, more than a half represents probably sums that must be spent through a public procurement process (the rest being mainly utility bills), i.e. around 10% of funds. This is equivalent to about €100 per student per year. While the average amount is not large, these costs vary a lot across schools and tend to concentrate in those units carrying out a large investment in a specific year.

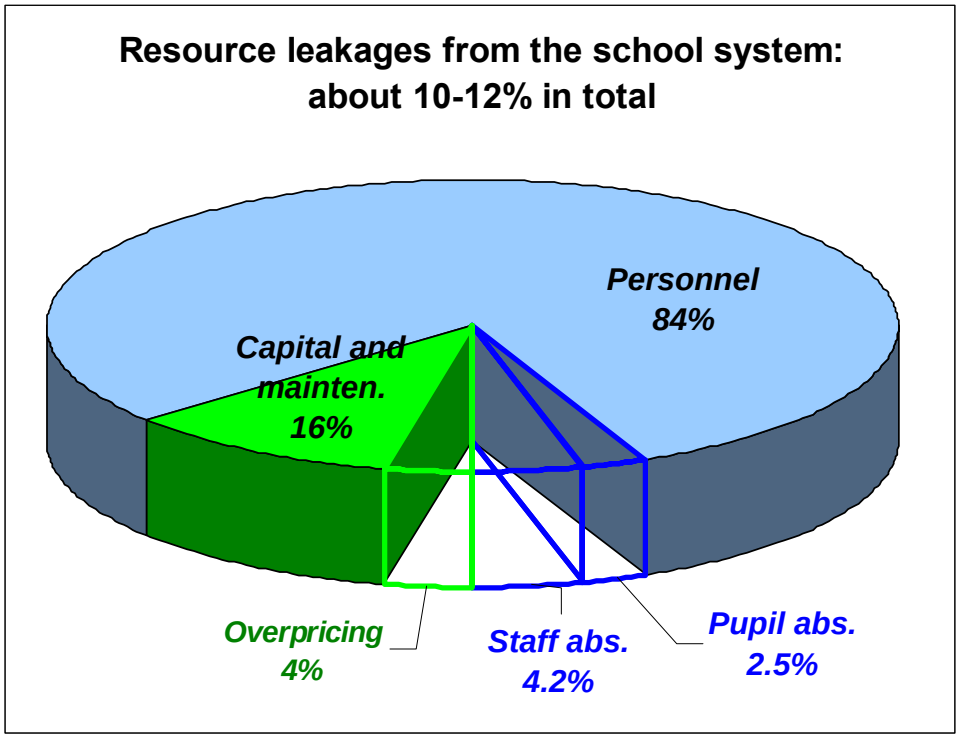
Our sample of 32 schools was too small to include enough such investment projects to make an analysis on them statistically significant. However, the experience of another scheme – run by the Romanian Social Development Fund (FRDS), a public agency financing small social investments in isolated communities – is testimony to the difficulties of managing such works: their small size makes them unattractive to contractors, especially in a period when the market is overstretched, and even more so if the schools are located in remote villages; the costs of labor and materials have increased steadily every year; and the inexperienced school staff found it difficult to manage the tendering process and the works supervision. Overall, FRDS has noticed that in such situations the smaller the investment was, the higher the price per unit of work requested by contractors; and that overpricing, cuts in quality and delays in execution usually adds up to 30-40% to the normal market price of works and goods purchased. For our sample, this amounts to 0.4 * 10% = **4% of the total revenues of schools**.

The results of the field research pointed out that this situation is taking place mostly in the case when the maintenance, repairs and investments works are contracted outside the school (i.e. by local authorities): all interviewed school principals stated that they would have saved at least 20% of the costs of the works carried out by companies contracted by the local

[18] "Money for Our People? Fiscal Decentralization and Corruption in Romania" *Public Administration and Development*, no. 25, no. 3, pg. 251-267, 2005.

government or would have reached a higher quality of the service. Following the principle *better this way than not at all* or fearing that their school will be excluded next year from the beneficiaries of such works, the school principals tacitly approve and accept this form of sub-optimal expenditure of funds.

detect problems and react to them. By and large, the system has remained relatively elitist: it serves poorly the groups at the bottom of the social ladder. In fact, this is nothing new, as there is a lingering high degree of tolerance to elitism and social inequity inherited from the Communist regime. Many researchers have



The other important form of resource leakages is absenteeism, among students and the teaching staff, which in the previous section was estimated to 6-8% of the teaching time; absenteeism is therefore responsible for a waste of **an additional 6-8%** of the resources invested, on average. Together with the overpricing of inputs, we reach to **a total of 10-12% resources leaked out of the system** (see also the chart below). What is even more important is the fact that both factors – overpriced and substandard goods and services purchased; and absenteeism – seem to pull in the same direction, i.e. tend to affect poorer or more isolated rural communities, above the average of resources lost resulted from our calculations. Since, as we saw in section 5, there are no mechanisms in place to compensate these communities for the adverse conditions they face, it is likely that the direct leakages act as disequalizers in a system that is already skewed against them.

Nevertheless, by far the most important channel of leakage is represented by the poor allocative policies in the education system, detailed in the first section of the report: they are rigid, blind to performance and targets, and utterly unable to

observed before that under the formal façade of equity and gratuity, access to social services was always quite limited and hierarchic, notably in the Balkan socialist countries and the ex-USSR. Writing about Yugoslavia, which was arguably the most open and liberal of the former Communist regimes in Europe, Vukotic-Cotic was noticing in 1988 that:

> "Social transfers are oriented toward the urban population, and the more one moves from urban to rural areas, the less important they become… The distribution of social transfers among social groups is more unequal than the distribution of the original revenues".[19]

What was true in Yugoslavia was even more true under a more repressive regime like Romania's,

[19] *Social Transfers and Income Inequality in the Ante-Bellum Yugoslavia, 1988* (Research Paper Series; "Social Expenditures and Their Distributional Impact in Eastern Europe"); World Bank. Quoted in *Governance and Democracy in Bosnia-Herzegovina: Post-Industrial Society and the Authoritarian Temptation*. European Stability Initiative (ESI), www.esiweb.org, pp. 25.

and the traces of that elitism are still present today in the education system, as we have argued in many sections of this report. Other arguments in this respect are the disproportionately high share of public funds allocated to universities, by comparison with the other levels, if we also account for their substantial revenues from tuition fees (State of Education Report – 2007)[20]. Finally, exactly as it was happening under the socialist regime, an informal but quasi-generalized system of private tutoring exists at the pre-university level, where professors are paid cash-in-hand by families, as the only way to make up for the failings of the formal education in class and secure admission to the best universities. The current market prices per hour are affordable to middle classes, or even lower classes, but this privatization by the backdoor of the secondary (and, partly, primary) education functions also as a counter-equalizer, as it tends to reproduce the stock of social capital already existent in the family: resources, education background of parents and connections tend to be the main determinants of success.

6.3. Recommendations

At this moment three scenarios could be foreseen, and we have focussed our recommendations in relation with these policy choices.

Scenario 1: Status quo: past performance as a benchmark

The problem of *rational* resource allocation in education is one of the main challenges faced by government today: they "need to identify those priorities for education investments that will impact most efficiently on the quality and equity of learning outcomes"[21]. Even if major reforms in the area of financing the educational system are postponed, it is a priority to put in place a proper structure to monitor and collect relevant data for policy purposes in the pre-university education sector, and address the problems we could only hint at based on this pilot evaluation. It should aim to better document at least three types of issues:

(i) institutional flaws, such as the ones described in the first section of the report;

(ii) foreseeable changes in demography and economy of communities which are likely to affect the local demand for education;

(iii) and the impact of current programs and arrangements (performance indicators, resource leakages), allowing decision makers to set informed policy targets.

The first priority must be to strengthen the decision-making in education, by matching visibility and responsibility with the proper budgetary and managerial instruments. This means fixing the problem of *budgetary vacuum* discussed at the beginning, by putting the Ministry of Education (MoE) fully in charge with the fraction of the national budget allocated to the sector (by law, 6% of the GDP), within the broad envelope set by the Ministry of Finance, giving it power to rationalize the system and to redirect resources from one category of spending to others. Once a proper governance structure is in place, MoE should begin to change the basis of resource allocation from the number of staff positions to the number of students.

Although a number of training packages have been drafted, the competences of school managers in the financial management of public funds and budget formulation should be extensively developed. Principals warn that institutional development plans cannot be put in practice at the moment because they have limited competences, only for administering funds (check the way the money is spent according to legal rules and pre-established schemes) and not managing them (allocating them by institutional priorities). As a consequence, it is expected that the existing degree of "dependence" of the managerial teams in the area of budget design on accountant department will decrease and the cooperation will be focused only on execution of budget and legal commitments. At the same time it is expected that the training programs in public fund management and the development of specific competences in this area will entail taking over new duties at school level.

For that it is very important that the local actors should be more involved. Where there are

[20] It is relevant for the weak capacity of the central authorities to collect and monitor basic data on levels of spending that the OECD report on *Progress Towards the Lisbon Objectives in Education and Training. Indicators and Benchmarks* (2007) has a lot of missing data on Romania.

[21] Conclusions of the Council and the Representatives of the Governments of the Member States on efficiency and equity in EU education and training systems (2006/C/298/03)

budget projections in schools, the participation of key actors in decision-making (teachers, students and community representatives) will prevent the principal to be alone in full control of budget planning and execution agenda and the school boards will become in reality a decision-making body rather than one that only approves and legitimizes these decisions. At the same time, even in a status quo policy alternative it is a matter of priority initiating of a public debate about the roles and authorities of financial management for pre-university education; although the law says at the moment that no public expenditure may be committed, ordered or paid unless it is approved, there are still overlaps regarding the roles of key actors in the system (school, local authorities, central authorities) and resources aren't always matched with responsibilities.

Scenario 2: Per student allocations: a decentralised financial policy in pre-university education system

In case of a strong political will for an adaptation and generalization of the decentralized financing system, a second priority should be to finally enforce the provision of the education act adopted in 1995 and create a workable per capita allocation formula. A good system of education earmarked grants should be created, following some basic principles: the grants should reach directly the local governments running schools, be it local communes of counties (depending who own the school) without any intermediary; the total sum for the education grants must be defined by the Romanian budget laws, as the principles of this allocation are the responsibility of MoE; the grants to individual local governments must be based on objective factors such as the number of students attending the schools or using other education services (dormitories, student transportation etc.) Moreover, taking into account the high fluctuation of financial need based on the average standard cost/student, a differentiation in the allocation coefficients (based on levels, areas of residence and units) are necessary, both at county level and in schools. The way that the local governments use those funds should be publicly available to all concerned, to ensure transparency and accountability and also reserve funds should be set up, in order to cover possible allocation deficiencies identified during budget execution in schools and an annual revalidation of standard costs and differentiation coefficients should be performed (based on levels, averages, units).

There is no doubt that such a shift will be difficult to accept politically, but it is necessary if Romania wants to reach a rational financing mechanism for its pre-university education. There are two circumstances that will make this shift easier to contemplate. First, the shift will be away from rich local governments and towards poor ones, and thus will redress the historical imbalance in the system. Second, the shift may hopeful occur together with the overhaul of the whole Romanian local government finance system, in the next wave of administrative decentralization, so that it can be made part of broader reform package, which should benefit all the local governments in Romania by providing stability and transparency. As such, it will be easier to convince the key actors to accept and promote the change.

The existing allocation mechanisms are failing to take into account the demographic trends. The majority of the schools surveyed have fewer students than in the previous year, but the value of the expenditures per student (established by a historical budget), in most of the cases, increased. At the same time, the level of expenditures/student didn't lower when compared to the schools where enrolment trends are positive. In other words, the actual use of historical costs undermines schools' motivation to attract more students and, implicitly, to compete for resources. This is a serious and avoidable flaw, as a per capita formula would profoundly change this practice and as these changes in the age cohorts are fully predictable on the short term.

If this scenario is followed, an integrated approach must be used for decentralization measures since decision-making power over budget execution cannot be transferred to schools if the same staffing policies are still in force and school curricula are not adjusted to local needs and opportunities. Training of staff is essential to reach this purpose since the research shows a relatively low level of knowledge about the changes proposed by the decentralization strategy and also negative attitudes of teachers towards decentralisation; they still believe financial decisions have to be made centrally, and they are most worried about the possibility for municipalities to have more control over the school network (closing schools) and staffing policies (lay-offs). Teachers see the deeper involvement of local authorities in school activities in a negative light, although, at the same time, they have high expectations regarding the involvement of these authorities in solving school issues. Information and training

campaigns are a priority since the field research shows that school actors have a distorted perception on the existing *procedure void* (too many laws and regulations, but too few operational procedures for implementation, management and control) and lack of horizontal cooperation and communication, hierarchically determined and not following an agenda[22].

Therefore an in-depth decentralization policy must analyze a scenario for schools with maximum autonomy and a school manager fully responsible for the performances of their organization. The outcomes of the research indicated that managers are not happy about the fact that they are not systematically informed there is no institutionalized communication and no assistance for professional development in the area of financial management in a decentralized environment. If management freedom is seen as punishment and not a reward for the school and the management team, the whole success of fiscal decentralization initiatives is threatened.

Scenario 3: Linking financial allocations with educational performance: financing quality

Securing money for programs that have proven successful in helping students reach high levels of achievement should be the main concern of the pre-university schools. A transparent and accessible national system of indicators is necessary to back this process by measuring school performance: it should be able to show to what extent funding variations are associated with school performance. In this respect, most of the researched actors have shown preference for a quality assessment system which is to take into account the conditions/context in which the school operates and the need to set as benchmarks performances of schools operating in similar contexts, for various areas (participation, results, dropout rates, continued studies/insertion etc.).

This third scenario is not possible without a coherent and full information system including collection, analysis and sharing financial data. SEI[23] program could offer a base in the near future to create the critical mass of data for developing a funding mechanism linked with educational objectives. However, there are a number of aspects with a negative impact on the efficiency and effectiveness of funding systems, for which more careful analysis is needed (level, cause, corrective measures), as a matter of priority:

- *School dropout, failure and truancy* (a diminished real number of education service beneficiaries)
- *Students not continuing their education at higher levels* (education services not attractive/poor quality)
- *Timetable observance* (classes not held during at their scheduled time or not at all – real costs higher than the actual education level); in relation to the same issue, the high number of commuting teachers (almost 30% in our survey) is additional warning, as transportation issues may have a negative reflection on timetable observance.
- *Rationalized school network and observance of the legal standards on the student/teacher ratio for each education level;*
- *Setting average values for consumption norms and correction indicators.* Big cost variations in providing similar services raise the issue of need for additional checking/control mechanisms;
- *Setting quality standards, both for the school as a whole and for teachers' activity, to take into account the context in which schools operate and also benchmarks for specific areas.* Although inefficient and inequitable funding is seen as one of the most important influences on school performance gaps[24], this inference cannot be verified at present. Efficiency means that average values must be set for consumption norms (not used even in budget execution), equity means using correction indicators (piloted, but still not recognized at system level) and performance is linked with quality standards (not defined yet at system level).
- *Evaluating trends in the average qualification of teaching staff and the ratio of qualified staff in overall staff numbers* – should be more analysed, as an important source of differentiating in revenues, notwithstanding the system of financing.
- *Local budget expenditure analysis (types of funded schools, categories of expenditures etc.)* – creating incentives for local

[22] Teachers' opinions about this topic are detailed in Annex 3.

[23] Electronic education system (www.portal.edu.ro)

[24] Education Policy Note, World Bank, 2007

authorities to accurate record and report education allocations.

Finally, there are important decisions to be made in order to eliminate/reduce the direct leakages identified in the previous section of the report, some already addressed in this closing chapter:

- Higher flexibility of the educational offer for students coming from risk groups (i.e. students with a disadvantaged socio-economic background), mostly exposed to school failure (truancy, drop-out)
- Stronger monitoring mechanisms for identification of the areas mostly affected by school failure and transversal studies on tendencies and main causes of this phenomenon
- Closer links of the schools with the families of the children in risk of drop-out or with a high level of truancy
- Stronger monitoring mechanisms for identification of the level and causes of teachers absenteeism and targeting specific assistance measures both from central and local governments for the commuting teaching personnel
- Development at county, local and school level specific indicators and collection of data on categories facing difficulties in having access at the education services (i.e. children with special learning needs, Roma (Gypsy) students, students not native speakers of Romanian, students from institutionalised care etc.); development at system level (and also in partnership with authorities and actors outside the system) specific initiatives to eliminate barriers in access.

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ANNEX 1 – Additional statistical data

Distance to closest city and expenditure per student

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.055	1	12.055	8.766	.006
	Residual	39.880	29	1.375		
	Total	51.935	30			

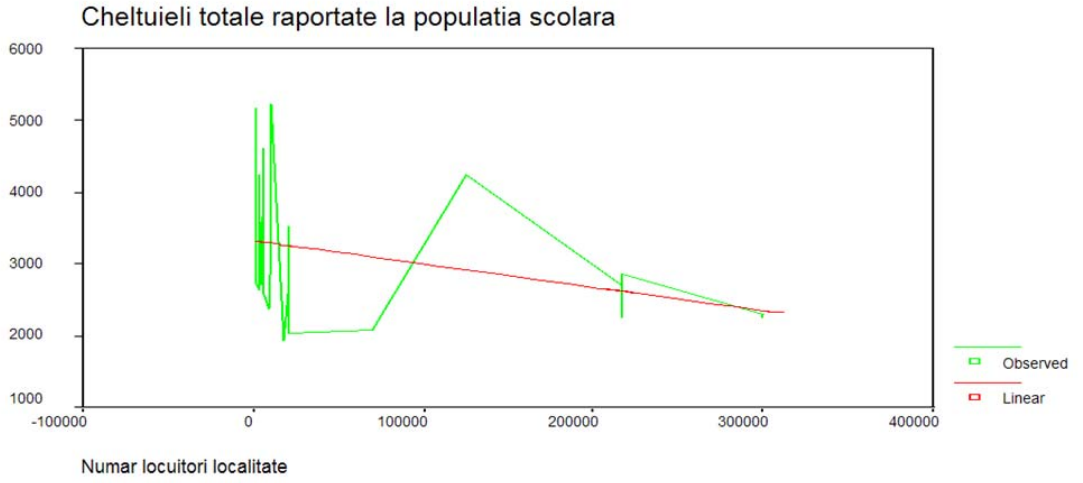
a Predictors: (Constant), Distance to closest city
b Dependent Variable: Expenditure per capita

Area of residence and level of expenditures per student

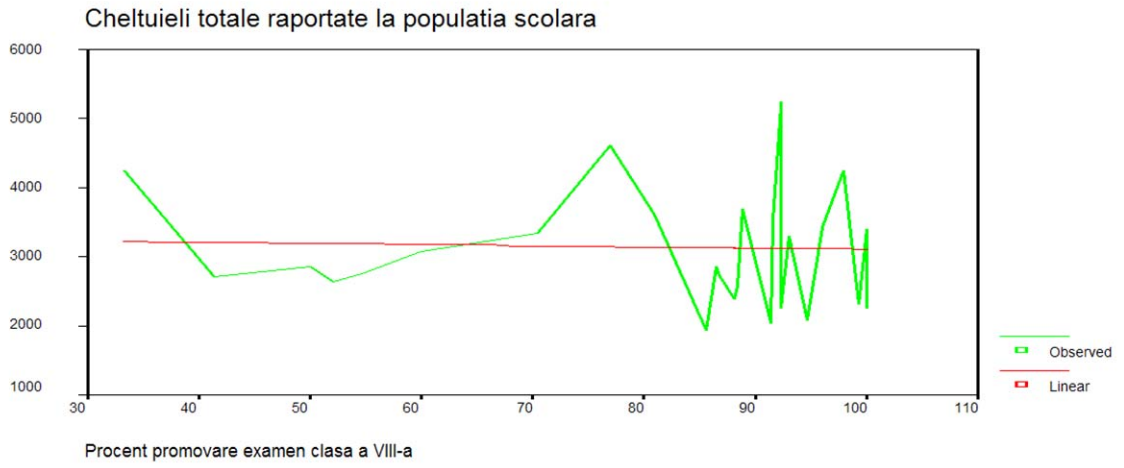
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2097478.320	1	2097478.320	2.737	.110
	Residual	19928448.569	26	766478.791		
	Total	22025926.889	27			

a Predictors: (Constant), Social environment
b Dependent Variable: Total expenditure

Number of inhabitants with the level of expenditures per pupil



Percentage of graduates (VIII-th grade) and the level of expenditures per pupil



ANNEX 2 – Teachers' opinions on decentralization

- Funding for universities according to the number of students has led to a quality disaster. Good universities suffered most, while second rate universities survived because they sold diplomas. If schools are also funded this way, then we will have a full disaster in education. Good quality education will be just a joke
- Before decentralization, money was spent in budget centers, without taking into account institution needs. Now we have priorities and we get more money from municipalities, if we can negotiate and show performance (international projects, contests etc)
- I believe that decentralization without politics would be a great achievement for Romanian education. I'm thinking about selection for principals, when politicians decide, without any regard for personal value. On advantage would be that we could be free to think about the PDI, select teachers based on value and make a CDS to attract students and funding accordingly.
- In my school, we managed to get more money through budget reorganization in January 2008. We managed to hire librarians and a mechanic ourselves. It was easier to get money to improve equipments.
- I believe that decentralization should go down to the local councils. What guarantee do we have that education will not be politicized if this is done by county councils? We should give more credibility to parents and get them more involved in school life.
- I know that funding for schools depends on the number of children. This is why competence should prevail, in order to attract new students. School must be de-politicized first; interests should be removed etc.
- I think decentralization should be down to the school, and the following measures to be taken:
  - Preparing staff and managers
  - Formulating the budget depending on the standard price/student
  - Create development plans and budget execution for their own financial department
  - A clear allocation of funds from the local council, to provide equity, transparency and compensation for marginalized groups
- Decentralization should stop at county level; the involvement of local councils in school businesses in rural areas would not be beneficial, because there would be a great deal of subjectivity in recruiting staff and allocating funds for schools.
- I believe that decentralization should be done among knowledgeable people, without involving local councils, because mayors have proven to defend their own interests. If decentralization is done to the local councils it would be a nightmare. There are councillors in rural communities who haven't even finished high-school; do we want them to have opinions about Romanian education?
- Decentralization is a broad process, schools are only one part of it, together with police, finance etc. and, unfortunately, all managers are not competent enough in this respect.
- Decentralization in the pilot counties in Romania is still a centralized system with some elements of deconcentration. Changes occurred:
  - Decisions belong to the board, but authority not;
  - School accountants are no longer members of the board (a natural development, but not always efficient) etc.
- I don't think that, with the current degree of involvement of parents in school life, the idea of having a parent as board president is a good one
- Leaving funds aside, is it good for each board to attract the most "fancy" teachers from the local market? Where would "strict" teachers go?
- Decentralization should stop at county level, because there aren't enough institutional resources at the local level… especially in areas of lower economic development. At national level, we would go back to generalization and it is not a good thing, each country has its own needs and priorities… but one needs mentalities and competent people for this.

- I think decentralization depends on what performance means, as we've discussed under education management. If we only refer to children who win contests, many of us will be unemployed, but if we discuss about the moment the student enters that particular school, then things are different. Performance criteria must take into account local circumstances. In my school, it's performance that we manage to get children to school. But we receive no incentives in order to make some more effort!
- This is one of the reasons why discussions and negotiations only take place between the education manager and the mayor or local council (we know it's not the same); each participates with financial/human resources; this seems to work well, everybody is happy, and the school and community benefit
- The principal is not motivated to have good teachers. While, the principal is appointed politically, they would not follow the increase of the school level, but their own interests and hidden agenda
- Tenure exams are more efficient in school if the principal or the board are interested to attract competent teachers and more students, in order to receive more substantial funds
- The major problem is funding from the local council in communities where there are many schools and the local budget is tight…which school takes priority for salaries and investment? Decentralization is beneficial when we talk about communities where mayors or a group of communities have a say and can access programs, but what can we do about smaller communities? These teachers should fight to become mayors, this way they would make better mayors than tractor drivers do.
- Tenure exam was not held directly in schools, but in exam centers set up for a number of schools, but is think this was a bad example of decentralization – he evaluation was not conducted by university professors but by methodological specialists and many people contested it; I have my doubts regarding the way a school can choose its staff based on competence only.
- The principal no longer has classes, so they are better equipped to manage the organization – more funds have been obtained from the local council and through sponsorship, therefore we had better materials and more projects to improve education services
- If the principal is appointed by the mayor and local council, this is yet another way of politicizing it.
- The management got more advantages - the board plays an important part in school activities. As tertiary credit managers, we managed the funds from the local budget and bought furniture and refurbished the building. I think this is to the children's benefit.
- It's important that the principal is no longer the president of the board and I think parents and company representatives should be also members. This is a step forward in containing the interests of principals which are not in line with school interests.
- Teachers' salaries will be set by the school, and salaries will be based on performances and increase gradually, based on the school curriculum. There will be problems with this. What if the principal is a political appointee and will only surround himself with "supporters"? What if better teachers will get lower salaries, even though they have better results than their older colleagues do? There are just some of the questions that teacher raise and things aren't clear yet...
- I think pilot schools proved that decentralization is positive, at least as far as our school is concerned. School activities are seen in a different light, if there are not enough funds, then we had to do projects and join forces, and we partnered with other institutions and NGOs…I hope I was coherent…
- Such an important policy with impact at the national level must be tested somehow, but the importance of decentralization issues can also suggest direct implementation, without previous tryouts, even though there might be risks due to tradition and deeply rooted in Romanian society.
- In my school, we managed to get more money from the local council through budget reorganization. We managed to hire librarians and a mechanic ourselves. It was easier to get money to improve equipments.
- Most colleagues don't trust decentralization policies. There were some advantages, in that positions were filled after exams taken in examination centers, on different topics; they could choose to go to that center where the school they wanted was

registered. A disadvantage to that is that, many times, evaluation was subjective and incorrect. Centralization is more beneficial in this respect.

- Decentralization led to changes in the board membership, budget formulation and implementation, principals' standardized hours and salaries and a direct involvement in staff selection.
- When schools can have a well determined budget at hand, they could have projects anytime and upgrading investments may be conducted. This way, better services can be provided by involving all stakeholders and better management can be enacted.
- The first meaning of decentralization would be for a school to manage itself. But some schools aren't legal entities yet, or they don't have accountants (only stamps) and depend on the inspectorates' budget centers. The first step would be to get legal personality and the managers to be trained in management, in order to get more familiar with terminology.
- Now the mayor is the credit managers. There are schools, especially in rural areas, where mayors only sign payrolls when they please, although there is enough money. Do you think they would invest in education? Infrastructure expenses have been with the local municipalities for 4-5 years and they haven't done anything with it, or if they bought a window, it was double the price. Schools were big business, but not for their own sake. Decentralization only means that the central budget won't have to pay anymore. As it happens with train tickets or gist vouchers: *if we have resources, you get the money!*
- The researched stakeholders also expect that fiscal decentralization secure cost share and sustainability of national and European programs in which schools are involved.