

Moldova
Preschool and General
Education:
Transitioning to a Decentralized
Service Delivery Model
Selected Issues

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LIST OF ACRONYMS

ATU (Gagauzia)	Autonomous Territorial Unit (of Gagauzia)
BOOST	The BOOST initiative is a Bank-wide collaborative effort launched in 2010 to facilitate access to budget data and promote effective use for improved decision-making processes, transparency and accountability. BOOST Initiative collects and compiles detailed data on public expenditures from national treasury systems and presents it in a simple user-friendly format.
CPA	Central Public Administration Authorities
CPD	Continuous professional development
EMIS	Education Monitoring and Information System
ESCS	Economic, Social, and Cultural Status
EU	European Union
GDP	Gross Domestic Product
LBSE	Local Body Specialized in Education
LPA (II)	Second level local public administration authorities (district centers/rayon and municipalities)
LPA (I)	First level local public administration authority (primarias of villages, communes, and cities)
MERP	Moldova Education Reform Project
MoECR	Ministry of Education, Culture, and Research, Culture, and Research
MoF	Ministry of Finance
MP	A member of Parliament
NACE	National Agency for Curriculum Evaluation
NBS	National Bureau of Statistics
NSDE	National Strategy for Decentralization in Education
NSI	National School Inspectorate
OECD	Organization for Economic Co-operation and Development
PER	Public Expenditure Review
PISA	Program for International Student Assessment
RDOM	Regional deconcentrated offices of the Ministry of Education, Culture, and Research, Culture and Research

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¹ World Bank. Moldova: "Mini PER": a Review of Selected Issues in Public Expenditures in Education: a Review of Selected Issues in Public Expenditures in Education

EXECUTIVE SUMMARY

Context, objectives, and methodology

Considering its income level, Moldova's education system (as assessed by PISA data), performs comparatively well, but education outcomes are substantially below those of neighboring and competitor countries.² For example, 2015 PISA scores in science, mathematics, and reading of Moldovan 15-year-olds were above those of some countries with higher income levels, such as Georgia, Kosovo, and the Former Yugoslav Republic of Macedonia. However, Moldova's performance was lower than the performance of even the European Union's poorest countries, Romania and Bulgaria. Moldova also performed significantly below neighboring Russia.

Moreover, Moldova's education outcomes come at a high cost. Moldova's public expenditures on education as a share of GDP and total public sector spending are higher than in most countries in the European Union (EU) and the Organization for Economic Cooperation and Development (OECD).³ In 2015, spending on education totaled 7 percent of GDP—32 percent higher than the OECD average—and 18 percent of total government expenditures—higher than in any EU country.

Moldova's challenges to improve the quality and efficiency of education provision need to be addressed in a context of declining student numbers, and persistent inequities between population groups. Declining fertility rates and out-migration continue to reduce student numbers, especially in rural areas. This implies that cost-saving measures need to be substantial to have an impact on efficiency indicators, since their positive impact on efficiency is at least partly neutralized by the negative impact of smaller student numbers. In addition, challenges related to the quality of education provision particularly affect specific population groups, namely students from households with lower socio-economic status and those in rural areas. In 2015, the gap in PISA performance in science between the 20 percent of students from households with the lowest economic, social, and cultural status (ESCS), and those from the top 20 percent ESCS, was equivalent to almost three years of schooling. The gap between students from rural and urban settings was equal to 1.4 years of schooling.

Recently, significant changes in the framework for pre-primary and general education provision occurred through reforms that decentralized important mandates for education provision, and substantially changed the financing mechanism for general education. The 2014 Education Code places key responsibilities for pre-primary and general education provision with sub-national authorities and schools.⁴ Also in 2014, a per-student financing mechanism was introduced for general education, rolled out nationally in 2015. Together with the intention to increase school-autonomy, the reforms presumably aimed to increase the efficiency of education delivery, and to allow localized solutions to improve the quality of education within available means, while national-level institutions maintained the responsibility for policy development and supervision.

² The Programme for International Student Assessment (PISA) is the OECD's key benchmarking tool to assess achievement and the application of key knowledge and skills of in-school 15 year-olds.

³ World Bank. Education Sector Public Expenditure Review (forthcoming).

⁴ Article 141 (Duties of the local public administration authorities of the second level and of the ATU Gagauzia in education), and Article 142 (Duties of the local public administration authorities of the first level in education)

Some years after the initiation of the reforms, little information is available about the extent to which the reforms are implemented as they were intended, and about their impact on the efficiency and quality of education provision. For example, to date, no analysis has been carried out of the extent to which the framework for decentralized education delivery as prescribed in the Education Code is being implemented in reality (“paper versus practice”), or to which extent the current division of mandates between different government levels promotes the efficiency and quality of education provision. Relatedly, little is known about the extent and mechanisms through which the financing mechanism promotes efficiency and/or quality in general education.

This report is a first exploration of the current, decentralized, regulatory framework for pre-primary and general education provision, and the extent to which it is implemented in practice. The emphasis of the report is on the relations, in theory and in practice, between the different levels of government and schools. Within this context, the study also reviews relevant elements of the implementation of the recent finance-related reforms. While not intended to provide a comprehensive overview, it’s aim is to provide a first inventory to highlight apparent strengths and possible weaknesses, to guide future analyses and policy directions, both related to education policies and public administration reforms that affect the governance framework for education delivery. The analysis summarized in this report points to various areas that would be appropriate for more in-depth analyses in the future. Several of these are summarized in Annex 1.

This report is part of broader efforts by the World Bank to assess and report on the effectiveness of Moldova’s current education and training system in preparing all individuals for productive participation in the labor market. Other elements of this exercise include, among others, private sector consultations on skill bottlenecks and human resource management practices of firms; an education sector public expenditure review, and a mapping and assessment of non-formal training providers. In addition to generally contributing to the relevant knowledge base to strengthen education policies, the findings of these activities are expected to inform the support provided by the World Bank to the Government of Moldova through the proposed Additional Financing of the Moldova Education Reform Project (MERP) and the proposed Skills for Jobs Project.

The report is complementary to analyses carried out by the Ministry of Education, Culture, and Research (MoECR) and other development partners. For example, the MoECR recently completed a feasibility study for rationalizing the general schools network, under the Education Reform Project financed by the World Bank. UNICEF prepared a study focusing on the provision of early childhood education with a decentralized governance context.⁵

The content of this report is primarily based on a review of regulatory documentation, and consultations with stakeholders at all levels of government and with school managers. At the national level, consultations were held with staff from the Ministry of Education, Culture, and Research; the Ministry of Finance; and the National School Inspectorate. In addition, consultations were held with stakeholders in two rayons (Floresti in the north of the country, and Cantemir in the south) as well as in Chisinau municipality, including with rayon and municipality representatives, and directors of pre-primary and general education providers. Where relevant and possible, findings have been enriched with quantitative

⁵ UNICEF (forthcoming), *An Analytical Review of Governance, Provision and Quality of Early Childhood Education Services at the Local Level in Countries of Central Eastern Europe / Commonwealth of Independent States.*

data from the National Bureau of Statistics, the MoECR, and the (forthcoming) education sector public expenditure review by the World Bank.

Main findings and recommendations

The report identifies key challenges to the adequate delivery of preschool and general education related to the decentralized governance mechanism. They relate both to the (*de jure*) regulatory framework that spells out the mandates of national and local level administrations and school management, and to (*de facto*) weaknesses in the implementation of these mandates. These challenges are summarized in textbox 1 below. The remainder of this section further describes the key challenges, and recommends policy directions and areas for further analysis to support evidence-based decision-making in the future. These recommendations are also summarized at the end of this chapter (textbox 2).

Textbox 1: Moldova’s decentralized governance mechanism for preschool and general education - identified weaknesses

<i>De jure</i> Ambiguous, inadequate legal framework	<i>De facto</i> Weak capacity and incentives
<ul style="list-style-type: none"> •Lack of definition in Education Code •Reliance on unofficial strategy document (NSDE), that sometimes contradicts the Education Code ("informal reality") •Formal assignment of mandates is at times technically questionable, and possibly too onerous and rigid for application in different contexts 	<ul style="list-style-type: none"> •Weak national level capacity for monitoring, support and accountability functions •Unclear, likely weak, capacity and possibly incentives of local administrations to carry out assigned functions. •Weak capacity and sometimes incentives at school-level to carry out assigned functions

Governance framework for preschool and general education: paper and practice

The division of mandates among different tiers of government and schools in pre-primary and general education is broadly defined, but lacks detail. As stakeholders find insufficient guidance in the formal Education Code, they appear to often rely on the more elaborate description that is provided in the draft NSDE, which has not undergone a formal approval process and is not fully consistent with the Education Code.

The execution of national-level mandates is constrained by the absence or nascent state of institutions assigned with responsibilities in the areas of, among others, monitoring and quality assurance. The non-existence of Regional Deconcentrated Offices of the MoECR (RDOMs), and weaknesses in the functioning of the National School Inspectorate (NSI) and the National Agency for Curriculum Evaluation (NACE), leave

important gaps in the ability of the Ministry of Education, Culture, and Research, Culture, and Research to monitor and supervise local administrations' and school performance, to provide and support quality assurance measures, and to play its assigned role in the continuous professional development of education staff. Whereas efforts to strengthen the NSI are ongoing, it is unclear where the government plans to establish RDOMs.

Considering weaknesses in monitoring practices, little is known about the extent to which local administrations and schools comply with their assigned mandates. Limited consultations carried out for the development of this report revealed apparent weaknesses in incentives and capacity to comply both with education-specific mandates, and with regulations related to fiduciary management.

Recommendations

- 1. Clarifying the roles and mandates of the various stakeholders in the education system,** either through a review and approval of the draft NSDE or otherwise, would increase clarity and a shared understanding on mandates among all actors.
- 2. A sound assessment of the need and feasibility of establishing RDOMs** is recommended in the context of local public administration reforms which are planned for the years 2018-2019. If RDOMs will not be established, it is advisable to develop and implement measures to ensure that key responsibilities that would be envisaged to be carried out by RDOMs are undertaken by other stakeholders.
- 3. Initiate a sound diagnosis of the compliance of (local) administrations and schools with the key regulatory elements that determine the quality of education provision, and of the main constraints that hamper implementation.** As it will take some time until the national-level framework to systematically conduct monitoring and supervision is better developed and will generate sufficient monitoring data, the findings of such diagnosis would provide useful insight to any regulatory reform initiatives and help identify priority areas where national level support and supervision is most appropriate.

Pre-primary education

Continuing the recent increases in preschool enrolment requires finding sustainable ways to further expand access, addressing demand constraints in rural areas, and increasing supply in cities. Strong recent improvements in enrolment rates coincided with substantial investments in (mostly rural) infrastructure, which brought the share of the education budget allocated to preschools to an unsustainable 28 percent (2015). Consultations revealed that reaching the remaining out-of-preschool children, especially in rural areas, may require an emphasis on alleviating demand-side constraints (which are potentially financial) and promoting access and participation of children with special needs. In urban areas, demand for access to preschool exceeds supply, which results in waitlists and, reportedly, in over-enrolment.

Recommendations

- 4. Carry out a sound review by geographic area of whether non-enrolment is due to demand or supply constraints.** Since urban preschools have insufficient capacity and rural preschools fill on average only

three-quarters of their spaces, a review of where supply needs to increase and where there is a possibility to reduce capacity would provide the knowledge-base to inform further efforts to increase enrolment while promoting cost-efficiency.

5. **Actions to promote equitable preschool access in an efficient manner can include introducing per-capita financing, and promoting cost-effective solutions to increasing capacity where this is most needed.** As already occurs in general education, per capita financing for preschools can promote predictability of funding and provide targeted incentives to increase efficiency. It is envisaged that the MoECR, with support of the World Bank and UNICEF, will pilot this approach in two rayons. Wherever supply-side constraints occur, creative solutions to increase capacity can be considered that are less costly than adding public infrastructure. These can include, for example, promoting the private provision of preschool education, removing supply-constraints caused by overly rigid or complicated zoning or sanitary regulations, and using empty space in primary schools.
6. **It seems premature to make preschool compulsory for younger children, until a sustainable financing mechanism is identified.** The government aims to introduce compulsory (ante-)preschool for children from the age of two. Considering that even now, with one year compulsory preschool from the age of six, outlays on pre-primary education comprise an unsustainable 28 percent of the education budget, it is unrealistic to expect that sufficient financing can be identified to fund such an expansion. A gradual expansion towards compulsory preschool for children of younger ages therefore appears highly recommendable.
7. **Consider moving the mandate for preschool education from the municipal to the rayon level, to address constraints related to capacity, monitoring and consolidation.** With current mandate for preschool provision divided among 900 municipal administrations, efforts to monitor or build implementation capacity are complicated and costly. Moreover, it likely complicates the consolidating of preschools across municipal boundaries, even though there are likely instances where this would be recommendable. Elevating the mandate for preschool education to the rayon level is therefore a reform that can be usefully considered during the forthcoming public administration reforms.

General Education

Per-capita financing has been rolled out nation-wide and seems to have spurred network consolidation, but progress in school-autonomy is lagging. Between 2007 (the year used as the base year in the financing formula) and 2016, around 6000 classes were closed and almost 12,000 teaching staff's positions were removed, developments which are unlikely to have occurred without these reforms.⁶ The forthcoming education sector public expenditure review explores to which extent these measures have achieved the objective of efficiency gains. The financing reforms were intended to go hand-in-hand with increased school-autonomy, but circa a quarter of schools remain largely governed by the local authorities.

Without further interventions, reforms targeting financing and autonomy are unlikely to result in strong improvements in education quality. Network optimization results in larger schools which, in principle, allows for the recruitment of more specialized teachers and exploiting benefits of scale. School-autonomy allows, in principle, for tailor-made interventions to address school-specific quality constraints. However,

⁶ <http://edu.gov.md/ro/content/reteaua-scolara-anul-2016-cati-elevi-si-cate-scoli-avem>

whether these possible benefits materialize depends on a host of factors that, together, determine whether school management has the ability and incentives to improve quality. These factors include knowledge and capacity of school management to make quality-enhancing changes; the possibility to recruit and retain appropriately skilled teachers; and conducive support and accountability mechanisms such as through the National School Inspectorate and the Education Monitoring and Information System (EMIS).

Despite recent improvements in education outcomes, further steps are to be made to maximize the performance of the general education system. While Moldova's 2015 PISA performance was significantly better than the results of 2009, this improvement cannot be exclusively linked to the financing and autonomy reforms, since various other reforms were implemented in this period and the financing reforms were only rolled-out nationally in 2013.⁷ The government is in the process of revising its Moldova 2020 strategy, and in this context it appears appropriate to also identify those reforms that are considered most appropriate to further strengthen the quality of general education provision.

Recommendations

8. **A more in-depth analysis to identify potential further optimization possibilities** and the reasons why these have not yet been exploited, may inform future interventions to promote the capacity and incentives to achieve further efficiency gains.
9. **Adjustments in the financing formula** may help to achieve further optimization. The government, with support of the World Bank, is in the process of reviewing the experiences to date with the current financing formula and possibly proposing adjustments that will better suit the dual objectives of improving efficiency and ensuring an appropriate distribution of financing between schools.
10. **A review of the nature of the constraints to move to self-governance**, which could include a lack of motivation or capacity within schools as well as reluctance of local administrations to hand over control, could help direct future interventions to increase the share of autonomous schools (insofar as this is considered appropriate, given that self-governance may not be considered appropriate for some schools, such as the smallest ones). This review could also usefully include a review of the current responsibilities of school managers; for example, expectations related to their capacity for strategic planning may be overly ambitious.
11. **Continue ongoing efforts to increase the quality of education.** Among those areas that can be usefully considered are teacher development and management; and the strengthening of a sound monitoring and accountability mechanism ranging from interventions at the national-level (e.g. strengthening the NSI, establishing RDOMs or ensuring that other entities can execute their monitoring tasks) to strengthening capacity and incentives at the local administration level and in schools. Several of these aspects are already addressed with the support of the World Bank, and the government can build on these experiences to achieve further systemic and nation-wide results.⁸

⁷ While no conclusive evidence exists on the main causes of the improvement in performance, it is considered to be linked among others to reforms in school examinations.

⁸ The World Bank financed Moldova Education Reform Project (MERP) and its expected Additional Financing support, among others, capacity building of school management, and strengthening of the NSI.

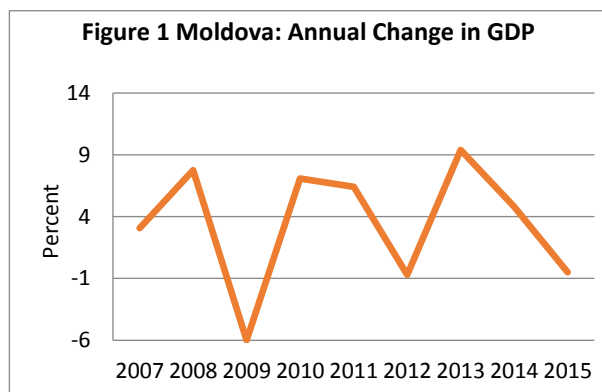
The recommendations, categorized by their focus on policy directions or further analysis, are summarized below.

	Policy Directions	Further Analysis
Overall governance framework	<ul style="list-style-type: none"> Clarify the roles and mandates of the various actors in preschool and general education delivery (national level entities, LPAs, school management). 	<ul style="list-style-type: none"> Assess the need and feasibility of establishing RDOMs, as part of the local public administration reforms planned in 2018-2019. A sound diagnosis of compliance of (local) administrations and schools with key regulations that determine the quality of education provision, and of the main constraints that hamper implementation.
Preschool	<ul style="list-style-type: none"> Promote equitable access to preschool in a cost-efficient manner, by introducing per-capita financing and non-capital intensive solutions to increasing capacity where this is most needed. Gradually expand compulsory (ante-)preschool to younger children, with the timing informed by the availability of a sustainable financing mechanism. Consider moving the mandate for preschool from the municipal to the rayon level, to address constraints related to capacity, monitoring and consolidation. 	<ul style="list-style-type: none"> A sound review by geographic (urban/rural) area of whether non-enrolment is due to demand or supply constraints, to enable the design of well-tailored actions to promote access.
General education	<ul style="list-style-type: none"> Adjust the financing formula to achieve further optimization (this action is ongoing, with support from the World Bank). Continue and expand ongoing efforts to increase the quality of education, e.g. via interventions targeting teacher development and management; monitoring and accountability mechanisms; capacity and incentives of LPAs and school management. 	<ul style="list-style-type: none"> A more in-depth analysis to identify potential further optimization possibilities and the reasons why they are exploited in some rayons, but not in others. Review school's constraints to move to self-governance, to inform future interventions to increase the share of autonomous schools.

CHAPTER 1: Moldova preschool and general education at a glance

Moldova is the poorest country in Europe. With a per capita GDP of U\$ 1,832 (2015), it ranks far below neighboring Ukraine (U\$2,124) and Romania (\$8,958).⁹ While the economy has grown in recent years (at an average annual rate of 3.5 percent from 2007-2015) year-on-year growth has been extremely erratic, as shown in figure1.

The level of spending on education in Moldova is relatively high. Moldova spends more on education as a percent of GDP and total public sector spending than most countries in the EU or OECD.¹⁰ In 2015, spending on education totaled seven percent of GDP—32 percent higher than the OECD average—and 18 percent of total government expenditures—higher than in any EU country.



Source: World Bank Development Indicators

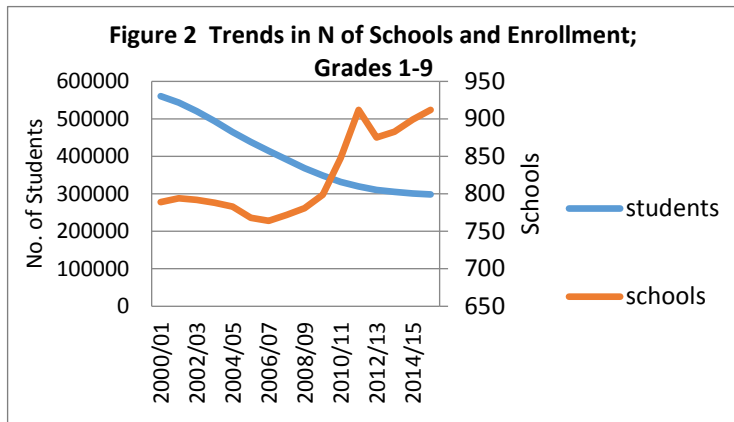
Moldova's education system starts with preschool, followed by 12 years of compulsory education. While only 1 year of preschool is mandatory (from the age of 6 years), children typically start preschool at the age of three. Moreover, the MoECR is working on making ante-preschool education compulsory, which would start from the age of 2. Preschool is followed by twelve years of compulsory education: four years of primary education and five years of lower secondary school, after which students proceed either to 'upper secondary schools' (lyceums, offering grades 10 to 12) or to technical or vocational secondary education. Lyceums lead to the *certificat de studii liceale* degree, or to the baccalaureate diploma if students have passed the national examination at the end of grade 12. The government also provides various forms of tertiary level education.

There has been a steady increase in the enrollment in preschool education during the past years, but challenges related to access remain. Between 2005 and 2015, Moldova saw almost 37,000 more children enrolled in preschool education (an increase of 33 percent), raising the enrolment rate for children aged 3-6 from 68.6 percent to 83.6 percent in this period. However, access impediments continue to exist, particularly for children from disadvantaged households due to demand-side constraints, and for children in urban areas due to a lack of supply of preschool places. The increase in preschool enrolment coincided with an increase in preschool institutions, with 13 percent, mostly due to the creation of new schools in rural areas.¹¹ The number of pedagogical staff in preschools also rose, although not as much as the number of students, resulting in a rise in the pupil:teacher ratio (from 11.6:1 to 12.7:1 in urban preschools, and from 10.5:1 to 11.3:1 in urban areas).

⁹ Figures for Ukraine and Romania are for 2014. Source: World Bank Development Indicators

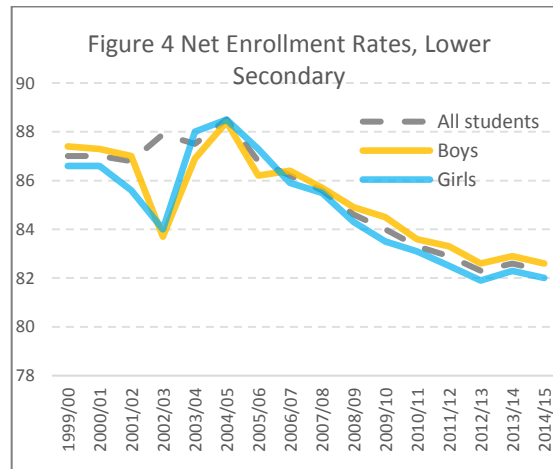
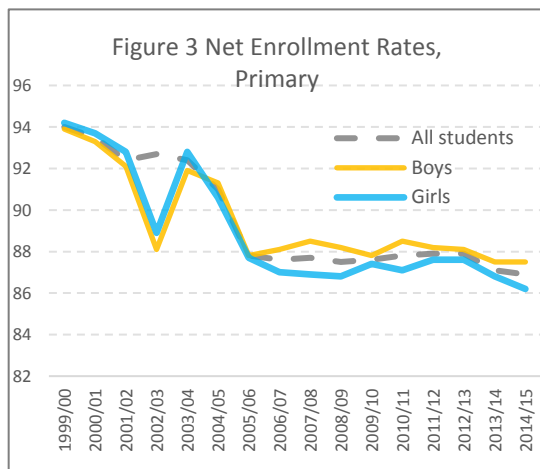
¹⁰ World Bank, Education Sector PER (forthcoming)

¹¹ World Bank, Education Sector PER (forthcoming)



Enrollment in the nine grades of primary and lower secondary education, on the other hand, has declined drastically over the last fifteen years. As shown in figures 2, 3, and 4, it fell by nearly 50 percent between the 2000/01 school year and 2015/16. This was largely due to a decline in the number of school age students, which was, in turn, due to low fertility rates and out-migration.

Source: National Bureau of Statistics of the Republic of Moldova



Source: National Bureau of Statistics of the Republic of Moldova

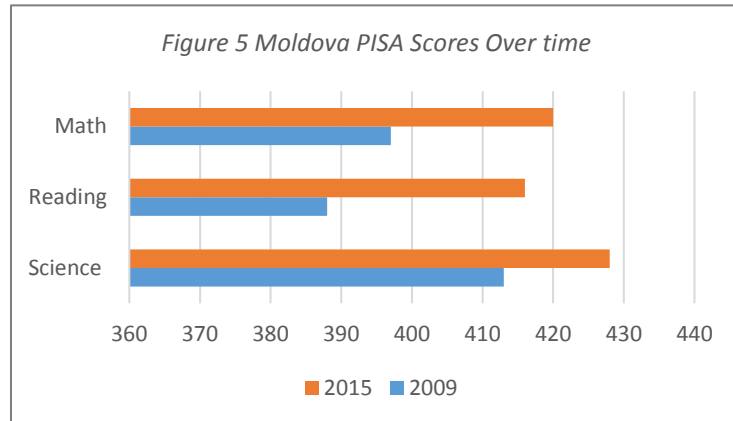
Lower student numbers are partly due to a decline in enrolment rates. Net enrollment rates fell significantly between 2000/2001 and 2004/05, but have since stabilized (figures 4 and 5). Between the 2010/11 school year and the current one, enrollment in grades 1-9 fell by ten percent. In the same period, the number of teaching staff fell by 21 percent. Despite the fall in teacher numbers, the pupil:teacher ratio remains extremely low. According to the latest data from the NBS, the student:teacher ratio in general education was 11.3:1 (in the year 2015/16).¹²

Official data showing a small transition rate to upper secondary education may not consider migrating youth. Per the National Bureau of Statistics (NBS), the gross enrollment rate in upper secondary was only 54 percent in 2014/15, which is far from the 82 percent of enrollment rates in lower secondary education. However, these data appear to be tainted by a high incidence of out-migration of lower secondary education graduates, which the data may not accurately reflect. To the extent that there are challenges with the transition rate to upper secondary education, this may reflect the scarcity of upper secondary

¹² NBS data are used here as they represent formal government data. The Education Sector Public Expenditure Review, which is prepared jointly with this present report, provides a detailed analysis of trends in student-teacher ratios using data from the MoECRs Education Monitoring Information System (EMIS), because EMIS provides more detailed breakdowns in data.

schools in rural areas, requiring students in rural areas to make relatively long (and expensive) commutes daily if they wish to attend, which may discourage their enrolment.

Moldova made a significant leap in terms of students' performance, but equity issues remain. Based on PISA 2015 results compared to 2009, student performance improved in all tested subjects (Mathematics, Reading and Science) by the equivalent of one school year (Figure 5). Thus, Moldova placed second among the five low-middle income countries that participated in PISA. In science literacy, 15-year-olds in Moldova score 428 points compared to an average of 493 points in OECD countries. On average, 15-year-olds score



420 points in mathematics compared to an average of 490 points in OECD countries. In Moldova, the average performance in reading of 15-year-olds is 416 points, compared to an average of 493 points in OECD countries. Girls performed better than boys on all tested subjects, which is particularly salient for science literacy and mathematics, since on these subjects, boys on average perform better than girls in the OECD as a whole.

Source: www.oecd.org/pisa

The improved average performance masks persistent inequities, especially between students from better and worse off households. For example, in science, the difference in performance between students from the top and bottom income groups is equivalent to three years of schooling. The difference between students from urban and rural areas is smaller but still substantial, and equivalent to 1.4 years of schooling.

CHAPTER 2: The Decentralized Framework for Preschool and General Education - Theory & Practice

2.1 Regulatory framework and key institutions with regulatory power and influence

The legal framework in the field of education is principally regulated by the Constitution of the Republic of Moldova and by the Education Code (in force since 23 November 2014), as well as by other legislative and regulatory documents. The Education Code is the fundamental regulatory and legislative act for education at all levels, substituting the old Education Law of 1995. Other regulatory provisions in the field of preschool and general education in Moldova include, among others:

- Law no. 68 from 05.04.012 on the approval of the National Strategy for Decentralization, and of the Action Plan regarding the implementation of the National Strategy for Decentralization for years 2016-2018;¹³
- Strategy for Education Development years 2014-2020 – “Education 2020”;
- National Sectorial Strategy on expenses in the field of education years 2017-2019;
- National Action Plan on the implementation of Structural Reform in Education (approved through Government Decision nr. 484 from 05.07.2011);
- National Action Plan for years 2015-2017 for the implementation of the Program on inclusive education development for years 2011-2020;
- Government of Moldova Activity Program for years 2016-2018;
- National Strategy Moldova 2020;
- National Strategy for Public Sector Administration;
- EU-Moldova Association Agreement;
- National Action Plan on Open Government for years 2016-2018.

The 2012 National Strategy for Decentralization originated from the desire to accelerate the transition from the Soviet Administration towards democratic, accountable and efficient public service delivery as a prerequisite for the EU Association process. Prior to 2012, local administrations had formal mandates, but these were not implemented in practice as central authorities continued to exert strong control, and local administrations were fragmented, underfinanced, and providing few and inadequate services. The decentralization strategy was seen to represent the government’s commitment to a thorough reform of the local public administration to consolidate autonomy and improve the management and quality of public services. To achieve this, the five key dimensions of the strategy were (1) decentralization of competences and services; (2) fiscal decentralization; (3) property decentralization and local development; (4) administrative capacity of local public administrations; and (5) democracy, ethics, human rights, and gender equality.¹⁴

The Education Code specifies, among others, the key principles per which service delivery in education needs to take place, with a strong implementing role for decentralized authorities in preschool and general education. The key principles for service delivery in these sub-segments of the education system

¹³ <http://lex.justice.md/viewdoc.php?action=view&view=doc&id=344005&lang=1>

¹⁴ Joint Integrated Local Development Program Document. State Chancellery of the Government of Republic of Moldova in partnership with United Nations.

include managerial and financial efficiency; decentralization and institutional autonomy; public accountability; transparency; participation of and accountability to the community, parents and other social stakeholders; and the support and promotion of education personnel.

Key institutions mandated with legislative power and influence in the areas of preschool and general education are: the Parliament of Moldova; the Government of Moldova, including particularly the MoECR; Local Public Administrations (LPAs); and local councils.¹⁵ Local Public Administration exist at the, lower, “first level”, which includes villages (“communes”) and cities (“municipalities”), and at the larger “second level” which include districts (rayons), as well as the municipalities of Chisinau and of Balti, and the Autonomous Territorial Unit (ATU) of Gagauzia. There are 32 districts, which each incorporate varying numbers of towns and villages (ranging between circa 10 to around 76). The population per district varies from less than 30,000 ([Basarabasca](#) district) to over 125,000 (Orhei district).¹⁶

2.2 Roles and responsibilities of actors across the education system – the regulatory framework

Education in Moldova is a shared competence between the national government, first and second tier local governments, and individual schools, as is stipulated in the Education Code.¹⁷ In terms of the relation between the national and local governments, this implies that local governments have a certain degree of autonomy and decision-making power, within the broad strategic and policy framework that is determined at the national level. This governance approach is considered to permit the national-level government to exercise control over the basic parameters of the education system and assume primary responsibility for financing it, while leaving local governments and individual schools to make day-to-day management decisions and respond to local priorities. As further described in textbox 2 below, proponents of decentralization assume that placing responsibilities with local authorities and/or school will result in better education performance than when all decisions are made centrally.

¹⁵ Moldova’s territory consists of two levels of administrative units: (1) villages (communes) and cities (municipalities); and (2) districts, the municipalities of Chisinau and of Balti, and the ATU of Gagauzia.

¹⁶ 2011 data

¹⁷ Education Code, Title X, Administration of the Education System, Chapter 1, Articles 139-142

Textbox 2: Benefits and Risks of Decentralized Education Service Delivery

The provision of public education involves myriad decisions. These range from decisions about the basic parameters of the system—the years of compulsory attendance, the content of the curriculum—to decisions about the recruitment and promotion of individual teachers. They also include decisions on the organization of the school network, levels of staffing in individual schools, and the allocation of budget resources. In principle, all these decisions can be made by a central government and its agents: ministries of education, their deconcentrated offices at regional and local levels, and centrally appointed school directors. This is, for example, the French tradition. (Traditionally in France, local government responsibilities in the education sector were limited to the operation and maintenance of school buildings.)

Advocates of decentralization argue that there are benefits to shifting some of these decisions downward: to local governments, school boards and/or to local school directors. Local officials may be more attuned to local conditions and priorities. They may be more easily held accountable by parents and voters.

But there are risks to decentralization as well. Local officials may be technically unqualified. Local priorities may run counter to national priorities. In particular, there are risks to abandoning the central role in the financing of education. Local tax bases vary widely. Leaving local governments to finance education from their own resources would condemn students in poorer jurisdictions to substandard educations.

Thus, even the most decentralized education systems reserve an important role for higher tiers of government. This typically involves control over the basic parameters of the system (as described above) and policies on recruitment, promotion and compensation of teachers, and maximum class sizes. It also involves a supervisory role. While central government officials may no longer have direct decision power, they can often review—and revise—decisions of local officials. Central governments (or state governments, in federal countries) also play a key role in financing, providing financial support, if not to all jurisdictions, then at least to the poorer ones.

The responsibilities of each tier of government and of individual education providers are defined in the Education Code. Broadly, the central government sets policies, norms and regulations, and financing arrangements. Upper tier local governments have various responsibilities related to general education, including ensuring regulatory compliance; decision-making on the creation and closure of schools; and the recruitment and dismissal of school management. The responsibilities of lower tier local governments relate to preschools. The formal mandate of school and preschool principals concerns human resource management of teachers and auxiliary staff, managing the overall educational process in the institution, and budget execution (Table 1.)

Table 1: Key roles and responsibilities in education of different levels of government and of schools

Tier	Key roles and responsibilities
National-level government (Government, Parliament, MoECR)	Develop and approve education policies and normative acts; Decide on the network of public schools for special, technical vocational, higher and continuing education; Manage, monitor and assess the national education system.
Second level local public administration authorities, LPA(II): districts, municipalities, and ATU Gagauzia;	General education: ensure regulatory compliance; manage, monitor and evaluate schools; ensure collaboration between schools and MoECR; recruitment and dismissal of school management.
First level local public administration authorities, LPA(I): villages and cities;	Preschool: ensure regulatory compliance; manage, monitor and evaluate preschool education; ensure collaboration between preschools
Educational institution: directors and deputy-directors of preschools and general education schools.	Develop the employment scheme; human resource management; budget execution; propose the school component of the curriculum for approval by the Administration Board; develop rules for filling classes and determining the number of classes.

Source: Education Code

The remainder of this section describes the formal regulatory mandates and responsibilities of each tier in more detail. The subsequent section provides a first exploration of the extent to which these roles and responsibilities are carried out in practice.

a. National-level authorities: roles and responsibilities in preschool and general education

Formal responsibilities of the national-level authorities in preschool and general education relate to policy development and the monitoring of implementation, and the development of norms and procedures related to financing and human resource management. As is further illustrated in table 2 below, specific responsibilities related to policy development and monitoring relate, among others, to maintaining the Education Information System, quality standards, and the curriculum. On personnel issues, the central government is expected, among others, to set criteria for performance evaluation of education staff, and to coordinate in-service and pre-service training.

Table 2: Roles and responsibilities in education of national-level authorities

National-level authorities (MoECR, Parliament, Government)	Main tasks/roles and responsibilities as per current regulatory framework provisions
Development, planning and monitoring of policies, cooperation with LPAs, including:	<p>Government/Parliament:</p> <ul style="list-style-type: none"> - Develop and approve policies, legislation, and normative acts, including on the organization and monitoring of the MoECR; - Decision making on the creation, reorganization, and closure of public schools for special, technical vocational, higher and continuing education; - Approve the rules for final assessment and examination in primary and secondary general education. <p>MoECR:</p> <ul style="list-style-type: none"> - Manage, monitor, and assess the national education system;

	<ul style="list-style-type: none"> - Design, create, and maintain the Education Information System; - Develop policies, legislation, and normative acts, and exercise state control over their enforcement; - Develop and approve educational standards and national curriculum, and exercise control over their implementation; - Development and approve norms for personnel and labor, and financing in the education sector, in cooperation with other authorities;
Human resource management	<p>For the whole education system:</p> <ul style="list-style-type: none"> - Set guidelines for remuneration of teaching staff and other education sector personnel; - Approve evaluation procedures for teaching and management staff in schools (to award or confirm degrees), and ensure their implementation; - Coordinate pre-service and in-service training of teaching and management staff; - Submit (justified) proposals to LPA governments related to the dismissal of heads of local specialized bodies for education or school directors. <p>For education institutions that are not the mandate of LPAs:</p> <ul style="list-style-type: none"> - Recruit and dismiss directors of VET schools and other schools subordinate to the national government; - Approve the plan (state order) for specialized staff training, financed from the state budget in technical vocational and higher education institutions;
Other important tasks:	<ul style="list-style-type: none"> - Provide free didactical materials for children in preschool, primary education, and for children with special needs in general, technical vocational, and higher education; - Manage national education programs and projects, including the procurement of goods, works, and services
Financing	<p>For education institutions that are not the mandate of LPAs:</p> <ul style="list-style-type: none"> - Develop the strategic plan of expenditures for the national system of education and research in higher education; - Develop the draft state budget for the subordinated educational and research institutions; - Coordinate and monitor the financial activity of the subordinated public education institutions;

Source: Education Code

The National School Inspectorate (NSI) plays an important role related to the quality assurance of general education provision. Established in 2015 and subordinate to the MoECR, the NSI is responsible for assessing general education, accrediting institutions, and assuring quality in the general education. In addition to carrying out school inspections, the NSI is responsible for developing methodologies for self-assessment tools that are to be applied by educational institutions. Another important institution under the MoECR is the National Agency for Curriculum and Evaluation, which is responsible for developing and applying student assessments.

The Education Code foresees “deconcentrated structures responsible for the administrative management of education”. The Education Code is relatively silent on the specific activities of these Regional Deconcentrated Offices of the MoECR (RDOMs). To date, RDOMs have not been created, and no plans are known to initiate their establishment.

b. Second-level Local Public Administration Authorities (LPA(II))

Responsibilities of the LPA (II) authorities concern general education, and include the monitoring and ensuring regulatory compliance of education provision; recruitment and dismissal of school management; and activities to promote pupil participation. (See table 3). These activities are carried out by ‘Local Bodies Specialized in Education’ (LBSEs), which are structural subdivisions subordinated to the second level LPAs .¹⁸ The LPAs (II) is expected to ensure the proper functioning of the LBSEs, in accordance with the regulations and standards approved by the MoECR.

Table 3: Roles and responsibilities in education of LPA(II) authorities

LPA (II) – district centers/rayon and municipalities	Main tasks/roles and responsibilities as per current regulatory framework provisions
Policy development, planning and monitoring	<ul style="list-style-type: none"> - Ensure regulatory compliance related to general education (including on HR management); - Manage, monitor, and evaluate general education provision; - Ensure collaboration of general education providers with the MoECR; - Provide annual report on the situation of general education, using a methodology established by the MoECR. - Monitor private educational providers.
Management of school network	<ul style="list-style-type: none"> - Ensure efficient operation of the network of general education providers, based on efficiency, efficacy, and performance indicators; - Decide on the creation, reorganization, or dissolution of public institutions of primary, gymnasium, lyceum and extra-school education (“network optimization); - Delimit the districts of the general education schools; - Review school staffing schemes and approve the number of classes per study year in public schools - Approve the number of pupils per class in public schools, as proposed by school management; - Ensure adequate physical environment for teaching staff and pupils;
Human resource management	<ul style="list-style-type: none"> - Hire and fire school management; - Facilitate continuing professional training of teaching staff;
Financial management, supply of technical/didactic materials, property management	<ul style="list-style-type: none"> - LPAs may (but are not obliged to) contribute financially to school infrastructure and teaching//learning materials;
Supporting pupil enrollment and participation	<ul style="list-style-type: none"> - Ensure together with the parents, the school enrolment of children aged between 6(7)-18 years; - Ensure free transportation of pupils and teachers to and from schools in rural localities at a distance over 2 km; - Contribute to employment of orphan graduates. - Support and encourage participation of pupils in school competitions and contests;

Source: Education Code

¹⁸ LBSEs were formerly known as Regional Educational Departments. As per the Education Code, the LBSEs structure and operational regulations are established by the rayon/ municipal councils and, in ATU Gagauzia, by the People’s Assembly, based on a model-structure and model-regulation as approved by the Government.

c. First-level Local Public Administration Authorities (LPA(I))

Responsibilities of the LPA (I) authorities relate to preschool, and include the monitoring and ensuring regulatory compliance of preschool education provision, management of the preschool network, and the hiring and firing of preschool management. Whereas these roles are largely similar to those assigned to LPA(II)s in the case of general education, section 2.3 below will show that in practice, LPA(I) authorities appear to take on a substantial share of responsibilities that are formally assigned to preschools especially related to fiduciary management.

Table 4: Roles and responsibilities in education of LPA(I) authorities

LPA (I) –villages, communes, and cities	Main tasks/roles and responsibilities as per current regulatory framework provisions
Development, planning and monitoring of policies including:	<ul style="list-style-type: none">- Ensure regulatory compliance;- Manage, monitor, and evaluate preschools;- Ensure collaboration among educational institutions within their jurisdiction
Management of school network	<ul style="list-style-type: none">- Create, reorganize, and dissolve public providers of ante-preschool and preschool education ('network optimization');- Delimit the districts of the preschool education institutions;- Ensure adequate physical environment for teaching staff and pupils;
Human resource management	<ul style="list-style-type: none">- Employ and dismiss the management staff of public ante-preschool and preschool providers.- Support and encourage continuing professional training of the teaching staff;
Financial management, procurement, supply of technical and didactic materials, property management	<ul style="list-style-type: none">- LPAs may (but are not obliged to) contribute financially to school infrastructure and teaching//learning materials
Pupil enrolment	<ul style="list-style-type: none">- Ensure, together with the parents, the enrolment of preschool age children in the ante-preschool and preschool education institutions.

Source: Education Code

d. Educational institutions: Directors of preschools and schools

Formal responsibilities of directors of preschool and general education institutions evolve around managing the day-to-day education process and budget development and execution. They concern, among others, human resources management activities; the selection of didactic materials; preparing budget proposals and responsibility for budget execution.

Schools have Administration Boards that have a role in decision making. Per the Education Code, Administration Boards are composed of the school director and deputy director, an LPA representative, and representatives of teachers (2), parents (3), and pupils (1). Responsibilities of the Administration Boards include, among others, participating in the appointment and performance evaluation of the school director; and approving the school budget, the institutional development plan, the school component of the curriculum, and the number of classes and staffing scheme of the school.

Table 5: Roles and responsibilities in education of directors of preschool and general education providers

Preschool and school directors	Main tasks/roles and responsibilities as per current regulatory framework provisions
Development, planning and monitoring of policies including:	<ul style="list-style-type: none"> - Develop and propose the school component of the curriculum (for approval by the Administration Board); - Propose each year the number of classes per study year and number of pupils per class (for endorsement by the Administration Board and approval of the lbse);
Human resource management	<ul style="list-style-type: none"> - Employ, evaluate, promote and dismiss school staff; - Develop the employment scheme of the school (for endorsement by the school Administration Board).
Financial management, supply of technical and didactic materials, management of the property	<ul style="list-style-type: none"> - Develop the budget (for approval by LPA) - Execute the budget

Source: Education Code

2.3 Roles and responsibilities of actors across the education system – in practice

Differences exist between the formal mandates of the various actors in pre-primary and general education, and the extent to which they carry out these responsibilities in practice. Consultations held for preparing this present report point to weaknesses in the implementation of the mandates of existing institutions (as is described in more detail below). While the scope of consultations was relatively limited, and therefore did not generate exhaustive conclusions on all aspects of all stakeholders' mandates, they do provide a general idea of key challenges and could serve as a useful basis for more in-depth diagnoses in the future. At the national level, some obvious challenges result from the fact that several institutions with important mandates do not yet exist or have been established only recently.

Stakeholders appear to widely use the *draft* National Strategy for Decentralization in Education (NSDE) to obtain a level of clarity on stakeholder mandates that is not provided in the Education Code.¹⁹ The NSDE was developed in 2012 and has undergone consultations, but was never formally adopted. Consultations revealed that many stakeholders use the NSDE in tandem with the Education Code, since the NSDE has a format – with tables that clearly describe the roles and responsibilities for each stakeholder – that is perceived to be clearer than the Education Code. The draft NSDE provides more details than the Education Code on the mandates of the principle actors in the education system. For example, unlike the Education Code, the draft NSDE refers to responsibilities of first and second tier local authorities in the area of budget development, approving the scheme of auxiliary staff in preschools and schools, the purchase of didactic materials, and property management.

The widespread use of the draft NSDE implies that stakeholders rely on a document that is not part of the formal regulatory framework, and that at times contradicts the Education Code. One example where there is a clear potential for confusion relates to the responsibility for decision-making on the school network. While the Education Code assigns this mandate to the LPAs, the draft NSDE includes creating

¹⁹ <http://particip.gov.md/proiectview.php?|=ro&idd=652>

and closing schools as one of the responsibilities of the RDOMs, which are part of the national level government.

An important difference between ‘theory’ and ‘practice’ relates to the development and execution of school budgets. According to the Education Code, budget development of both preschools and general education providers is a shared responsibility of school management (who propose a budget) and the LPAs (who approve the budget), whereas budget execution is the responsibility of school management. In practice, however, this approach is only applied by general education providers who adopted the ‘self-government model’. General education providers who are not ‘self-governing’, as well as preschools, are much more reliant on the LPAs, who play a substantive role not only in budget development but also in budget execution (even though they may face similar capacity constraints as schools). Chapter 4 discusses these aspects in more detail for general education providers.

Shared responsibilities between rayons and schools related to budgets and teaching materials allow different levels of school-autonomy. Rayons and schools have shared competencies in the areas of budget development, budget execution and procurement, and the provision of technical resources and teaching materials. This appears to allow flexibility to let stakeholders determine the most appropriate division of tasks among themselves. In a period where general education providers in Moldova are transitioning to a self-governing approach, might be considered appropriate. On the other hand, a lack of clarity on which entities carry responsibility for certain tasks can potentially create uncertainty and a vacuum of accountability. The current regulatory framework that assigns rayons a shared mandate related to key dimensions of education provision, might in some instances hold back the envisaged transition to increased school-autonomy.

a. National-level authorities

The National School Inspectorate was recently established and remains to become fully operational. In 2016, the year after its establishment, the NSI issued several regulations and methodologies pertaining to external evaluation, accreditation standards, and self-assessment.²⁰ However, the NSI’s mechanisms needed to monitor and improve teaching and learning are still nascent, and require strengthening (as is recognized in the MoECR’s 2016 reporting on the results of the implementation of the Education Code). This is particularly important considering the MoECR’s decision to move toward a performance-based remuneration system for teachers. The MoECR’s efforts in this regards are expected to be supported by the World Bank through an Additional Credit for the ongoing Education Reform Project.

Regional Deconcentrated Offices of the MoECR (RDOMs) have not been created and no concrete plans are known to initiate their establishment. While the Education Code provides few details about their envisaged role, the draft NSDE foresees a strong role of the RDOMs in, among other, monitoring the implementation of the legal and policy framework (including related to norms and regulations pertaining to human resource management) and educational processes; performance evaluation of school

²⁰ The NSI issued, among others: Methodology for external evaluation of teachers from general education; Methodology for self-assessment and external evaluation of managerial staff; Methodology for self-assessment and evaluation of educational institutions; Regulation on evaluation and accreditation of general education institutions; and Methodology and accreditation standards of the general education institutions;

managers; professional development of school managers and teachers.²¹ For several of these responsibilities, institutions other than the RDOMs also have a mandate. The NSI, for example, has a role in monitoring the educational process, enrolment and participation of children, and performance evaluation of teachers. However, the nascent state of the NSI does not allow that institution to carry out activities that appear to be envisaged to be executed by RDOMs. For other activities, such as the performance evaluation of school managers and the support to schools on the continuous professional development of staff, no other institutions have been identified that have a relevant mandate. Reportedly, the MoECR plans to assess the need and (financial) feasibility of establishing RDOMs in the context of local public administration reforms which are planned for the years 2018-2019. Meanwhile, it may be the case that rayon-level Local Bodies Specialized in Education may take on some of the activities that are envisaged to be carried out by the RDOMs. While there is no reliable information on the extent to which this occurs, the scope and nature of these activities are likely to differ between rayons who, in addition to not having the formal mandate, are unlikely to be well-equipped for such activities.

b. Local Public Administration Authorities and School Directors

Due to the lack of functional monitoring mechanisms at the national level, little information is available on the extent to which LPAs and school directors perform their mandated tasks. As the NSI is yet to become fully functional, and RDOMs have not been established, systematic monitoring information is scant. Various mechanisms and tools are applied to generate educational data, such as the Education Monitoring and Information System (EMIS), regular 4th and 9th grade national student assessments, and Moldova's participation in the Program for International Student Assessment (PISA). However, these exercises do not provide the information that is envisaged to be generated through the RDOM and NSI. For example, while these sources provide data on aspects such as student performance and school inputs, they do not generate information on regulatory compliance.

Consultations revealed several challenges at the LPA and school level, including related to strategic planning, monitoring, fiduciary processes, and promoting a culture of accountability in human resource management. Planning and monitoring appears to be weak both at the LPA and the school level, likely due to capacity challenges, possibly combined with a lack of incentives. The lack of an accountability culture in human resource management in schools and LPAs, combined with lacking oversight mechanisms, reportedly has an adverse impact on the quality of education service delivery, and even results in situation where teachers who physically abuse their pupils do not face repercussions. Fiduciary challenges appear to exist as well, with capacity reportedly particularly weak in preschools and those general education institutions which are not self-managing (see also Chapter 4).

Little evidence is available on the determinants of effective school management in the Moldova context where school autonomy is optional but not obligatory. Some schools appear to do well under autonomous governance, whereas others remain largely dependent on the LPA. A more in-depth review of the underlying reasons why some schools are autonomous and others are not, and of the characteristics (such as the capacity and motivation of school principals) of sound performers among autonomous schools, could shed useful light on this matter.

²¹ As mentioned earlier, the draft NSDE also foresees a role for RDOMs related to the school network, although the Education Code defines this as a mandate for LPAs.

2.4 Main findings and potential directions for improvement

1. The division of mandates among different tiers of government and schools in pre-primary and general education is broadly defined, but lacks detail. As stakeholders find insufficient guidance in the formal Education Code, they appear to often rely on the more elaborate description that is provided in the draft NSDE, which has not undergone a formal approval process and appears not fully consistent with the Education Code. A clarification on roles and mandates of the various stakeholders in the education system, either through a review and approval of the draft NSDE or otherwise, is expected to increase clarity and a shared understanding on mandates among all actors.
2. An important area where differences exist between theory and practice relates to budget development and execution. In theory, school management is assigned the responsibility to develop a budget proposal and to ensure its execution. In reality, this level of fiduciary autonomy is observed among general education providers who are self-governing, but not among preschool providers and general education providers who did not adopt the self-governing approach.
3. In practice, the nascent state of the NSI, NACE, and the absence of RDOMs create gaps in quality assurance, monitoring, and continuous professional development activities. Efforts to strengthen the NSI and NACE are ongoing (expected to be supported by the World Bank). MoECR plans to assess the need and feasibility of establishing RDOMs in the context of local public administration reforms which are planned for the years 2018-2019 is welcome. In case RDOMs will not be established, feasible plans need to be developed and implemented to ensure that key responsibilities that are currently assigned to RDOMs are transferred to other institutions.
4. Due among others to the lack of national-level monitoring through the RDOM and NSI, little information is available on the extent to which LPAs and schools perform their mandates. However, consultations reveal that there may be several weaknesses in their performance. A sound diagnosis on this would be recommendable, including on the factors that determine whether a school becomes autonomous, and on the characteristics of well-performing autonomous schools.
5. Both for preschools and general education, monitoring and accountability mechanisms should be strengthened. Monitoring would ideally be improved both concerning compliance with education-specific objectives and regulations, as well as related to financial management and procurement practices. To ensure that information collected through monitoring activities is used to improve service delivery, effective accountability mechanisms (from education institutions to LPAs, from LPAs to the national government, and from all levels to the public) would need to be strengthened or introduced so that all actors have sufficient incentives to improve their performance.

CHAPTER 3: Pre-primary education - Selected Issues

3.1 Pre-primary Education in Moldova: objectives, performance, and challenges

Moldova's Education 2020 Strategy includes a strong commitment to pre-primary education. In 2020, it aims to achieve an enrolment rate of 95 percent for children age 3-6 (compared to 82 percent in 2012), and an enrolment rate of 98 percent for children age 6-7 (up from 92 percent in 2012). (Table 6.) The Education Code guarantees access to preschool education based on equity and equality principles. Priority for enrolment in kindergartens is given to children who live in the area where the kindergarten is located. If there are free available places, children from other circumscriptions may enroll as well.

Table 6: Baseline and targets for preschool enrolment (share of age group)

Indicators	Baseline (2012)	Intermediate target (2017)	Final target (2020)
Enrolment rate in preschool (3-6 years), %	82	90	95
Enrolment rate in preschool (6 -7 years), %	92	96	98

Source: Education 2020 Strategy

Since 2005, there has been a steady increase both in enrollment and the number of preschools in the country. Between 2005 and 2015, Moldova saw 36,801 more children enrolled in preschools (an increase of 33 percent) and about 166 new facilities added to the network delivery system (an increase of 13 percent). In 2015, the preschool enrolment rate was 83.6 percent of children between the ages of 3 and 6/7 years.²² Urban preschool facilities, on average, tend to be relatively large; in 2015, 214 kids per facility were enrolled on average in urban kindergartens compared to only 70 children per facility in rural areas.

A key remaining challenge highlighted during consultations is a group of children who appear to be persistently out-of-reach, especially in rural areas. Consultations revealed that the lack of participation of these children, especially in rural areas, appears to be due to demand-factors, i.e. it is assumed that their parents do not have the financial means to allow a child to integrate and actively engage in the activities at the kindergarten. Both mayors and representatives of the Local Bodies Specialized in Education in rural areas who were consulted for the preparation of this present report, highlighted that the number of those who cannot afford enrolling their children in preschool appeared to be growing. They associated this perceived trend with the increasingly limited employment opportunities in rural areas. Children with special needs are another hard-to-reach group; their parents may be reluctant to enroll them due to stereotypes that exist in society and possible resistance to accept children with special needs, and preschools may lack the infrastructure and teacher preparation necessary to provide an appropriate environment to children with special needs. Whereas the encouragement of parents to enroll their children in preschool is among the tasks of preschool managers and teachers, it is unclear to what extent preschool staff effectively engage in such activities.

²² Source: NBS. The net urban enrolment rate in 2015 was reported to be 104 percent, and the net rural enrolment rate 71.5 percent.

http://www.statistica.md/public/files/publicatii_electronice/Anuar_Statistic/2016/7_Invatamint_Stiinta.pdf

In addition, there is insufficient supply of preschool placements in urban areas. Data from the Ministry of Education, Culture, and Research, Culture, and Research shows that there were around 8000 children on waitlists for preschools in the Chisinau municipality alone at the beginning of 2013-2014. Moreover, anecdotic evidence suggests that in some preschools in Chisinau and other urban areas, classes are overcrowded.²³ The pressure on urban capacity has hardly been alleviated by the recent substantial investments in infrastructure, because almost 90 percent of the new facility units that were added to the network were in rural, rather than in urban areas. One area for further analyses relates to the causes of under-supply in urban areas. These might include a combination of factors, including potentially a challenging regulatory environment to establish private preschools; stringent regulations related to for example zoning, space or sanitary regulations that are difficult to comply with at in an urban setting; or the relatively high costs associated with delivering preschool education compared to rural areas.

3.2 Current financing mechanism

Budget allocation, development and execution are in practice largely the remit of the MoECR, the Ministry of Finance, and LPA(I)s. Although in theory preschool management may take on responsibilities in proposing school budgets and in budget execution, in practice these activities appear to be largely carried out by LPA(I)s.

Budget allocation

Government expenditures on pre-primary education have nearly doubled over the past decade, and Moldova now allocates a substantially higher share of its education budget to preschool than comparator EU countries. In 2015, preschool education in Moldova receives around 28 percent of the overall education budget. The relative importance of preschool funding in overall education expenditures in other countries ranges from 3 to 10 percent in the UK, Portugal, and Germany; and from 11 to 18 percent in Belgium, Finland, and Hungary. Bulgaria and Moldova are the only two countries of a comparator sample that allocate more than 25 percent of their sector budgets towards preschool education.

The proportionally high expenditures on pre-primary education in recent years appears unsustainable, but may have been due to externally financed investments in network expansion. If this is indeed the case, then these very large increases in the budget are temporary, although obviously, an increase in the number of children that are enrolled in preschool result in higher annual recurrent costs. The sustainability of pre-primary education expenditures is further assessed in the Education Sector PER.²⁴

The allocation of budgets to preschools is a combination of a top-down and a bottom-up process, involving the national Ministries of Finance and the MoECR, local authorities at the first and second levels, and – at least in theory – preschool directors. Plans exist to introduce per-capita financing for preschool, as already exists for general education. The MoECR's efforts to develop this formula will be supported by UNICEF, and the World Bank plans to finance the piloting and evaluation of the implementation of the new financing methodology in two rayons.

²³ Consultations referred to group sizes of up to 30 children, which is double the norm of 15 children.

²⁴ World Bank, Education Sector PER (forthcoming)

At the national level, the MoF prepares a budget for the pre-primary education sector as a whole, based among others on historic data including on enrolment data, staff numbers, and salaries. The MoECR is requested to provide input to this sub-sectoral budget, and may propose changes based on for example any new policies, proposed capital expenditures, or other developments in the sub-sector.

While preschool directors and LPA(I) have shared responsibilities to develop schools' budgets, in practice this appears to be done by LPA authorities. The structure of the budget request from LPA (I) is more or less standard and reflects costs related to salaries, nutrition, heating, building maintenance, and material resources. During consultations, few preschool directors displayed strong financial management capacity or could provide accurate information on the annual budget of the kindergarten or the key budget lines.

The LPA(I) budget proposal for preschools is submitted to the LPA(II), where it is verified and submitted to the national-level authorities. These verifications mostly relate to assessing accuracy of calculations, and to highlighting expenditures that deviate substantially from expectations (e.g. related to solicitations of budgets for expensive renovations). LPA authorities may also seek to achieve efficiencies when, for example, multiple preschools exist in a municipality and there are options to optimizing expenses by merging or closing preschools.

The MoECR consolidates the budget proposals from all LPA(II)s. The MoF, in collaboration with the MoECR, ensures that the total budget allocation to preschools does not exceed the determined ceiling. The MoF may also advise on potential efficiency-enhancing measures; for example, on proposing a more rational use within an existing kindergarten as opposed to establishing a new institution.

The budget allocation should – by law - be sufficient to deliver a *standard package of educational services*, but the definition of this package is not fully clear. For the compulsory part of preschool (like for compulsory general education), the MoECR has the responsibility to elaborate and approve of the *standard package of educational services*, which the Education Code defines as “*a system of educational programs oriented towards achieving some concrete ends and obtaining a certain volume of knowledge, developing some competencies in accordance with educational standards*”.²⁵ Consulted stakeholders indicated that, without a clarification of what is considered to be included in this package, it is uncertain which services and costs are to be covered by the government, and which should be covered from parental contributions or other sources.²⁶

Budget execution

LPA(I)s take on (most) responsibilities related to budget execution. Each of the 900 LPA (I) requests their funding from the MoF, and receive financing via special transfers. LPAs are not allowed to redirect the budget that was allocated to preschool to finance unrelated expenditures. Whereas in theory budget execution is a responsibility of preschool directors, stakeholders who were consulted for the development of this report indicated that, in practice, this mandate is mostly carried out by the LPA. This includes activities such as renovating infrastructure and managing capital investments. LPAs are also reported to

²⁵ Education Code, Article 140 j

²⁶ Related to defining the ‘standard package’ for preschool is the question whether the approach is to truly provide preschool educational services, or a day-care model where children spend all day in school which is more reminiscent of the old Soviet approach.

take on other parts of the operations of preschools that are formally the remit of preschool management, including related to human resource management. The reason for the strong role of LPAs reported by consulted stakeholders include a lack of capacity and resources, and potentially also of incentives, to engage in these activities.

The MoF has the mandate but limited capacity to monitor budget execution and enforce compliance. Supervision of local governments takes place through the State Chancellery and the Ministry of Finance, which are the main institutions with mandates to define the local government's sector policy and monitor local governments. The Ministry of Finance is authorized to screen the budgets of administrative territorial units for accuracy of their preparation and execution. Reportedly, while the intent is to screen every LPA once every two years, in practice it is very challenging to conduct regular controls on the preschool budgets in 900 LPAs due to capacity constraints in the MoFs Financial Control and Revision Service. During consultations, it was reported that monitoring activities therefore focus on LPAs where irregularities may have taken place in the past, or where concerns are reported by the community, parents or other stakeholders.

Financial sustainability versus sufficiency of funding

Despite the high level of public funding allocated to pre-primary education, stakeholders highlight financial constraints that prevent adequate service delivery. Especially compared to spending shares in other countries, the high share of the budget that is allocated to preschool in Moldova is likely not sustainable on the longer term. Nevertheless, preschool directors and other stakeholders that were consulted indicate that the current budget allocations to individual preschools are insufficient to finance necessary infrastructure investments, maintenance and other essential expenditures. It is possible that this current tension is, to an extent, temporary and can be addressed by several years of substantial infrastructure investments to make up for a previous period of neglect. However, quite likely there is also a need to address inefficiencies in the system that will allow a better allocation of resources in the preschool sub-sector.

Various announced reforms, especially the introduction of compulsory ante-preschool for children from 2 years of age, will influence the financing needs for pre-primary education in the future. Compulsory ante-preschool is likely to substantially increase the financing needs of the sub-sector, and it is yet unclear how these reforms can be sustainably implemented. Other reforms for which it is unclear whether they will have a positive or negative impact on financing requirements include the announced definition of a "standard package of educational services" (that would better define the services that preschools and schools need to provide), and the elaboration of a per-capita financing formula for preprimary education.

While LPAs may add their own resources to the national-level financing that is provided for preschool, only few LPAs do this in practice. LPAs collect their own revenues from local taxes on land, renting, taxes on environment/garbage collection, permits, etc. If the LPA manages a big community, there might be chances to save some of this locally generated sources and allocate some for preschool. However, practically all LPA funds are earmarked and dictated both administratively and financially from the central level. Discretion in spending resources, even LPA's own resources, is extremely low. As per the MoECR, less than 20% of the total LPAs (I) and (II) do provide additional contributions for education, in general, from their own resources.

Parental contributions to preschool appear relatively high, and may cover expenditures for basic supplies which are not provided by LPAs. Parents reportedly tend to cover the costs of a large share of the basic supplies at the beginning of the school year, including books, pencils, etc., even though expenditures on such items are expected to be included in the LPA budgets. Parents might also contribute to financing the provision of meals, since the amount per pupil that is allocated for nutrition by the government is considered small. The amount of parental contributions to meals differs by locality, depending among others on the community's view on nutrition and their ability to pay.²⁷

Accountability to parents of preschool institutions appears weak. Preschool institutions generally do not have a mechanism in place to promote transparency and accountability concerning expenditures towards parents. It appears that since preschool directors do not manage any finances directly, they do not feel ownership for the financial aspects and accordingly, for reporting. A regular accountability practice that does exist involves parents' committees. These committees are established and managed by parents, and aim to collect and spend parental contributions. They tend to operate without engagement of preschool personnel, and focus exclusively on the parental contributions.

3.3 Quality of provision

LPA(I) authorities are responsible for the establishment, reorganization, and dissolution of preschools.²⁸ LPA(I) are also responsible for ensuring the proper functioning of these institutions, in accordance with the regulations and standards approved by the MoECR. At the same time, in its communication of February 2017, the MoECR encouraged first and second tier authorities to collaborate to establish educational institutions that combine preschool education (the responsibility or primarias) and general education provision (a mandate of rayons), under a single managerial team.

Preschools must comply with the norms, procedures and regulations stipulated in orders, letters and recommendations by the Ministry of Education, Culture, and Research. For example, the "Organization of the Educational process in preschool institutions during the year 2014-2015"²⁹ stipulates all the areas that should be under the focus of the preschool institution during a respective year, the guidelines, the organization of teaching and learning processes, organization of the thematic activities, assessment, partnership with the family, school readiness, along with recommendations for managerial activity.

Among others, the Ministry of Education, Culture, and Research sets rules on the maximum number of pupils per class and pupil-teacher ratios. The maximum number of pupils for 'ante-preschool' (0-3 year old's) is 15 per class, while for preschool (3-7 year old's) it is set at 20 per class.³⁰ These are the key criteria based on which preschool classes are being established. Additionally, the number of children with special

²⁷ For example, in the Chisinau municipality, parents pay around one third of the total expenditures on nutrition.

²⁸ Education Code, Article 21

²⁹ http://edu.gov.md/sites/default/files/organizarea_procesului_educational_in_institutiile_prescolare_in_anul_2014.pdf

³⁰ Sanitary regulations for preschools, 2016.

http://www.gov.md/sites/default/files/document/attachments/intr08_81.pdf

needs enrolled in preschool classes is capped at 1-2 per group/class³¹. Pupil-teacher ratios are set at 6:1 for ante-preschool, and at 10:1 for preschool classes.

The number of pupils, teachers and staffing positions are approved by the administrative council of the preschool, and submitted to the LPA (I).³² This information serves as a basis for the institution's planning/budgeting processes. The number of teaching positions are also reflected in the annual action plans of preschool institutions. Regulations foresee that each staff member has a Terms of Reference which include the main objectives of his/her activities, along with a description of roles, tasks and responsibilities. These ToRs are signed by the staff and the director of the preschool. Annually, they are approved through an internal order and if necessary, new modifications can be made.

Among others, sanitary norms also stipulate a minimum surface to be available per pupil. It is possible that norms such as these are among the factors that constrain the expansion of preschool capacity in urban areas.

Along with other documentation that preschools are required to maintain, preschool institutions are expected to have annual action plans and longer-term strategic development plans. Annual Action Plans are more concrete and based on short-term planning. The Strategic Development Plans are more declarative in statements and no targets are being set up or specific performance indicators formulated to help measure progress. Both plans must be approved by the administrative council of the institution.³³

In practice, the quality of preschool provision appears hampered by capacity constraints at both the preschool and the LPA level. Preschool management share a mandate with the LPA on areas including, among others, human resource management, budget development, and selecting and purchasing didactic materials. However, they reportedly rely mostly on the LPA authorities for these activities. When asked about the key targets in their Strategic Development Plans, none of the consulted directors could provide specific examples, and none of them could produce the document. A lack of competition for management positions may contribute to the weak management quality. As indicated by LPA representatives, competition for management functions is rare in many (rural) communities; this may reduce incentives for quality management and, as a fair share of directors appear to be in place for many decades, may promote the continuation of 'business as usual' rather than bringing in new ideas and processes. At the same time, LPA capacity for preschool management also appears weak, and approaches to planning, execution and monitoring appear to be insufficiently informed by updated models of good practices.

Despite the substantial – and likely unsustainable – public funds that are allocated to preschool, local stakeholders report that financial constraints sometimes prevent them from complying with MoECR regulations. For example, according to consulted stakeholders, the addition of classrooms or teaching staff to comply with MoECR regulations on maximum class-room sizes and pupil:teacher ratios reportedly

³¹ See <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=367518>

³² Education Code/Art 51

³³ The Administrative Council, in most cases, comprises the school principal, teachers, the 'methodist' (person responsible for methodological and specialized assistance issues), 1 to 2 parents, and a LPA(I) representative.

sometimes do not take place due to financial constraints. No data sources were known to the authors of this report to verify the findings of these consultations.³⁴

Community engagement in preschool management appears limited. For example, consultations showed that Strategic Development Plans are prepared because preschools are obliged to have them, rather than because they are considered to serve a useful purpose. They tend to be developed by the preschool director with one or a few staff, without the participation of more teachers or parents, or the wider community.

3.4 Main findings and potential policy directions

The formal mandate of preschool management is not consistent with the strong role that LPA(I) authorities take on in practice in the operations of preschools. It is recommended to improve the alignment between ‘theory’ and ‘practice’ related particularly to aspects of fiduciary management and possibly human resource management. A more in-depth assessment would need to be carried out to determine whether the regulatory framework should be adjusted to reflect reality (i.e. assign more extensive responsibilities to LPA authorities), or whether efforts should be made to address constraints that currently prevent preschool managers to carry out responsibilities that the Education Code assigns to them.

The government’s aims to provide quality pre-primary education to increasing numbers of children. To achieve these goals in a sustainable manner, this needs to take place within sustainable cost parameters. This requires a well-thought out strategy that addresses both supply and demand constraints, includes reforms that improve the cost-effectiveness of service delivery, and considers a phased approach to expanding preschool access to younger children. While expenditures are high, school directors indicate to have insufficient funds to deliver quality services and to attract and retain qualified staff, and the government’s objectives to expand access to younger age groups will require additional funding. Increasing both quality and access will thus require a package of interventions and a sustained, long-term commitment from government actors on all levels. The below policy directions can be considered to contribute to achieving the objectives in pre-primary education. A sound assessment on the expected costs and benefits of each is recommended prior to developing and implementing such reforms.

1. **Introduce per-capita financing to improve the efficiency of funding.** A per capita funding mechanism, already exists in general education, and the MoECR has initiated its introduction in preschools. The MoECR is supported by UNICEF in the development of the formula, and the World Bank plans to finance the piloting and evaluation of its implementation in two rayons.³⁵ The design of the formula could help to create clarity on the *standard package of educational services*, that the MoECR is

³⁴ Information to verify these observations would ideally include (i) monitoring data on whether LPA requests for additional classrooms or teachers were indeed justified based on MoECR’s norms; and (ii) data on the frequency with which budget requests related to such expansions are denied.

³⁵ World Bank support is expected to be provided under the forthcoming Additional Financing of the Moldova Education Reform Project (MERP-AF)

required to elaborate on and provide for the compulsory part of preschool.³⁶ Consulted stakeholders indicate that, without a clarification of what is considered to be part of this package, it is uncertain which (essential) services and costs are to be covered by the government, and which additional services could be covered from parental contributions or other sources.

2. ***Produce a sound assessment of where preschool capacity needs to be increased, where demand-side constraints are more pertinent, and where network optimization can be considered.*** The number of available preschool places in cities needs to increase to meet urban demand. Also, capacity across the country needs to be sufficient to enroll younger children to preschool and ante-preschool education across the country, once this government objective starts to materialize (see also policy direction number 4 below).³⁷ On the other hand, preschools in rural areas currently have excess capacity; in 2014, only 76 children were enrolled in preschool for every 100 available places.³⁸ Particularly in rural areas, recognizing and addressing demand-side constraints to enrolling in preschool, particularly among the most vulnerable children, may be at least as impactful as adding capacity. Closing or merging rural preschools may in many cases be undesirable, since a larger distance to preschool facilities may discourage enrolment of pupils and thus negate recent gains in access. However, considering the large inefficiencies caused by the low number of pupils per school, low pupil:teacher ratios, and over-capacity in rural areas, possibilities for network optimization can usefully be considered. Unexplored options for optimization may particularly concern preschools that are relatively close to each other but that are located in neighboring municipalities, and that thus fall under the mandate of different LPAs (see also policy direction number 5 below).
3. ***Promote creative and cost-efficient solutions to expanding capacity where it is most needed.*** In the past period, efforts to expand capacity concentrated on infrastructure investments in rural areas. Other interventions can be considered to increase capacity that have a different geographic focus and that may be cheaper than investing in (public) infrastructure. This can include, for example, the allocation of unused spaces in (rural) primary schools to the provision of preschool education; addressing regulatory constraints that prevent the private provision of pre-primary education; and a review of zoning, sanitary and other regulations that may unnecessarily complicate the creation of additional preschool places in urban areas.
4. ***Take a gradual approach to the expansion of compulsory (ante-)preschool for younger children.*** While laudable in its intentions, the expansion of compulsory preschool and ante-preschool to children from the age of 2 will have cost implications that will overstretch the budget if it is introduced within a short time frame. A phased approach, starting with access for the older children and expanding to younger ones once capacity and financing allows, appears worthwhile to consider.

³⁶ Education Code, Art. 140j defines the package as “a system of educational programs oriented towards achieving some concrete ends and obtaining a certain volume of knowledge, developing some competencies in accordance with educational standards”.

³⁷ Any assessment of the need to increase capacity needs to consider demographic trends which will generally exert a downward pressure on capacity requirements.

³⁸ Source: WB based on Moldova National Bureau of Statistics

5. **Consider moving the mandate for preschool to LPA(II)s, to address constraints related to capacity, monitoring and consolidation.** Decentralization of the responsibility for preschool to the lowest-level administration, in principle, promotes accountability to the public and the ability to tailor the delivery of preschool education to local needs. However, fragmentation of the responsibility for preschool to the 900 LPA(I)s in the country also complicates capacity building and monitoring activities. Moreover, it likely reduces incentives for consolidating preschools across municipal boundaries. During consultations, various stakeholders raised concerns that the mandate for preschools at the LPA(I)-level impedes service delivery due to challenges in planning and management capacity as well as weaknesses in governance (the latter particularly related to construction and renovation of preschool institutions, and 'political affiliation' of preschool institutions to the LPA(I)). Moreover, the mandate at the LPA(I) level does not provide incentives for school optimization by merging preschools across municipality borders, since such mergers might imply that certain municipalities would 'lose' their preschools as well as the associated financing. An option to be considered could be to elevate the mandate for preschool education to the rayon level, where capacity for management and planning is likely to be higher, and fewer impediments to optimize schools may exist. However, it is unclear whether such a reform would be politically feasible even if it were considered technically appropriate, as it would mean that LPA(II) authorities would lose a share of their budget. If this is indeed the case, alternatives could be considered where, for example, LPA(II)s role in preschool education would be strengthened without the role of LPA(I)s being fully eliminated.
6. **Review human resource policies for personnel in pre-primary schools.** Consultations revealed several challenges related to the recruitment, retention, and performance of personnel in preschools, that appear useful to further analyze and subsequently address simultaneously. Challenges reportedly relate particularly to low salary levels, which particularly make it difficult to recruit auxiliary staff and young teaching staff; unfavorable living conditions in rural areas (e.g., no running water/sanitation, heating, good roads, options for leisure for children and families), which impede recruitment and retention of personnel there; and lack of knowledge and motivation to apply modern learning approaches among more senior staff. The assessment could include attention to regulations on required staffing numbers and qualifications; regulations and practices related to recruitment, retention, and promotion; remuneration and other incentives; and opportunities for continuous professional development. A relatively comprehensive assessment of human resource procedures could result in recommendations to alleviate constraints in these areas. Since any reforms that raise expenses has to go together with actions that save costs elsewhere, activities in this area can usefully be carried out at simultaneously with other reforms that are expected to bring efficiency gains.

CHAPTER 4: General Education – Selected Issues

4.1 Per capita financing and school autonomy: objectives, regulations and process

Objectives and regulatory framework

With the aim to increase quality and efficiency in the education sector, the government of Moldova in the year 2011 announced its intention to introduce per-student financing in general education.³⁹ Per-student financing had been piloted in selected rayons since January 2010.⁴⁰ The principle of per-student financing is that “money follows the pupil”, i.e. allocated resources per student are transferred to the educational institution in which the student is enrolled. The expectation of this approach is that the financing method, combined with an increase in school-level autonomy, encourages network rationalization, while ensuring a basic level of education funding for all students in the country, and at the same time provides school directors with more autonomy over their budgets, in the assumption that this encourages a more efficient allocation of resources. Specifically, the financing method is expected to:

- Increase the efficiency of public expenditures, by providing incentives for school rationalization and mergers;
- Increase the quality of education provision, by providing school management with increased decision-making power and the financial means to direct the learning processes;
- Increase transparency around school financing and objectivity in the budget allocation process, by introducing clear financing formulae;
- Simplify budget preparation and budget forecasting by using clear financing formulae

Per-student financing is regulated by the Education Code and several decisions, including the following:

- The Government Decision no. 869 from 08.10.2014 on the financing of primary and secondary general education institutions subordinated to LPA(II)s, determines the formula based on which the per-student financing is calculated;
- Common decision/order of the Ministry of Education, Culture, and Research and the Ministry of Finance no. 868-131 from 06.10.2012 regarding the suspension of validity of Annex 1 and 2 from Order no. 542/108 from 21.08.1999 Concerning temporary staff positions in pre-university education institutions;
- Law on local public finances no. 397 from 16.10.2003;
- Indirectly addressed by the Law no. 68 from 05.04.2014 on the approval of the National Strategy on Decentralization and of the Action Plan related the implementation of the National Strategy on Decentralization for years 2012-2018.

³⁹ See: Action Plan for the Implementation of Structural Reform in the Education Sector (2011)

⁴⁰ <https://openknowledge.worldbank.org/bitstream/handle/10986/20775/912060WP0techn00Box385329B00PUBLIC0.pdf?sequence=1>

Determining schools' budgets

Generally, at least 95 percent of the budget that is allocated to schools is “*standard financing*” as determined by the per-student financing formula. Schools may receive additional funding from the *inclusive education fund* and from resources that are allocated to the *LPA component*.⁴¹ A fourth possible source of funds is *project-based financing*, which are funds provided by development partners to which schools can gain access through a competitive application, either in collaboration with a NGO or via their parents-teachers association. This last form of financing reportedly rarely materializes, due to schools' low capacity to develop proposals, initiate partnerships, write in English, etc. While Annex 2 presents the main details of the regulations that determine school budgets, the calculation method's main features are as follows:

As a first step in determining school budgets, the Ministry of Finance estimates the expenditure ceiling for general education in a given year. The budget is determined through the annual budget process, by the Ministry of Finance with input from the Ministry of Education, Culture, and Research. This amount is derived from the expected overall budget for general education, which in turn is based on historic data and other aspects such as projections of the average salary, inflation rate, etc.

Based on the overall budget, the Ministry of Education, Culture, and Research then applies the per-student financing formula to calculate the “*categorical transfers*” that are to be allocated from the state budget to the budgets of the LPA(II)s, for the purpose of funding education institutions. The main features of the formula are as follows:

- *School Component* - Out of the total budget, 18 percent is divided equally across schools, i.e., each school is allocated the same amount. Rayons receive a budget allocation based on the number of schools that were located in their territory in the year 2007. This approach provides incentives to close schools without seeing a reduction in the school component, thus increasing the per-school allocation of those schools that remain open.⁴²
- *Student Component* - The remaining 82 percent is allocated to schools based on the number of students and the grade that the students are in, with higher amounts (“weights”) assigned to students in higher grades. For example, the average allocation per student in general education in 2017 was 12,737 MDL.⁴³ This was a 45 percent increase compared to 2015, when the average allocation was 8,771 MDL per student.

At least 95 percent of the categorical transfer in each LPA is allocated to the schools in an amount proportional to the per-student financing formula. The remaining share (of at most 5 percent) is allocated by the LPA to benefit, among others, special needs children, small schools, and students' transportation and accommodation costs. Depending on the number and needs of students with special education needs, the LPA may reserve up to two percent of the categorical transfer for the ‘inclusive education fund’, from which funds are allocated to schools as needed. Up to three percent of the categorical transfer can be used for the ‘administrative-territorial unit component’. This component may

⁴¹ In addition to funds received from the state, LPAs may supplement these funds from their own means.

⁴² In other words: if a rayon had 10 schools in 2007, and since closed 5 schools, then the rayon will now have double the funding per school from the school-component.

⁴³ <http://mf.gov.md/files/files/Transparenta/transpbuget/BC2017.pdf>

transfer funds to small primary schools-kindergartens and ‘small schools that cannot be closed’⁴⁴, and to any schools to cover costs for transportation of students to and from school; accommodation of students in hostels; and capital repairs and the purchase of fixed assets.⁴⁵

There is not (yet) a clear link between the per-student financing formula, and the standard package of educational services that the Ministry is responsible to deliver. Just like for compulsory preschool, the Education Code gives the MoECR the responsibility to provide a standard package of educational services to pupils in general education. However, the content of such a package has not yet been defined, and therefore the financing formula is not based on estimates of the costs of delivering this particular package. The MoECR, with the support of the World Bank financed MERP, is finalizing a study to better understand the functioning of the per-student financing formula, which is expected to shed some light on the extent to which the formula allows schools to deliver educational services. If, in the future, the MoECR succeeds in clearly defining the content of the standard package, then a tension might appear between the government’s obligation to fund this package, and the dependency of the per-student budget on the overall budget ceiling for general education in a year: if the formula – prior to adjustments based on the available budget – covers the expected costs of providing the standard package, then any reductions based on budget constraints would imply that the government does not meet its obligations.

Development and execution of school-specific budgets

The Ministry of Finance transfers the allocated budgets either to schools or to LPA(II)s. Schools that are ‘self-managed’, have their own accountant and manage their own finances, receive the budget directly. In practice these tend to be larger schools that have the resources to employ an accountant. In all other cases, funds are transferred and managed by the Local Bodies Specialized in Education.⁴⁶

Educational institutions have responsibilities in budget preparation and execution. The head of the institution is expected to develop and present budget proposals; and ensure that expenditures are made as per the approved budget and budget lines, and in accordance with the mandate and objectives of the school. Part of the schools’ responsibilities includes the determination of the minimum number of non-didactic staff that is to be recruited within the limits of the available budget.⁴⁷

The development of school budgets is to a relatively large degree determined by the national government, particularly through wage regulations. Wage costs comprise a substantial share of education expenditures (around 70 percent in primary and lower secondary education), and teacher salaries are determined by the MoECR. Moreover, according to the consultations, the MoECR in February 2017 issued a recommendation with targets for the number of students per classroom and student:teacher ratios. The targets include a minimum number of pupils per classroom of 25 in urban areas (at all levels of general education). In rural areas, targets for the minimum class size are 15 pupils in grades 1 to 9, and 22 pupils in grades 10 to 12. The targets also included a pupil:teacher ratio of 14, and a

⁴⁴ The regulation on per-student financing defines a “small school that cannot be closed” as “a school, near which, on a reasonable distance of 10-15 km, there are no other similar schools with grades of the same level, with available seats, with the same teaching language”;

⁴⁵ Per the regulation on per-student financing, capital expenditures may be allocated primarily to schools which i) need to adjust infrastructure to receive students from closed schools; ii) have not benefitted from renovations in the past 10 years; and iii) use at least 60 percent of their capacity;

⁴⁶ See Education Code, Article 144. [TT to ensure consistency between this article and table 5.](#)

⁴⁷ See Government Decision no. 868, Section 5. Note that even when schools are not autonomous and defer to the LPA on many activities, school management is expected to have planning and budget development capabilities.

ratio of pupils per non-teaching staff of 18:1. While these targets are ‘recommendations’ and schools are not obliged to comply with them, they are likely to provide directions to school management in the determination of class sizes and teacher numbers, and thus influence budget expenditures.⁴⁸

Monitoring of the implementation of the per-student financing formula is a shared responsibility of national and regional level authorities that appears to suffer from substantial weaknesses. At the national level, both the Ministry of Education, Culture, and Research, Culture, and Research and the Ministry of Finance have monitoring responsibilities. At the level of the LPA(II), monitoring responsibilities are shared between the LBSEs and the finance departments. The budget of each educational institution and reports on budget execution are expected to be published on the official web-page of the institution, and/or of the local body specialized in education area.⁴⁹ In practice, monitoring mechanisms appear weak. From the side of the education sector, an Education Monitoring Education System (EMIS) exists and is being strengthened through the MERP, but does not include financial data and is not linked to financing databases; the capacity of the NSI is still weak; RDOMs are non-existent; and the capacity and incentives for monitoring at the regional level are unclear. On the fiduciary side, there appears to be insufficient capacity to monitor compliance with budget allocation and expenditures with appropriate regulations. This relates for example to monitoring whether LPAs allocate budgets to the non-autonomous schools that are under their control according to the per-student financing formula, to whether expenses from the inclusive education fund and the LPA-component are allocated as per regulations, whether recruitment regulations are complied with in human resource management, and whether procurement regulations are followed when investing in infrastructure and capital equipment.

4.2 Roll out of the per-student financing

Per-capita financing has been rolled out completely, but the establishment of school autonomy remains in process. As per the MoECR, all general educational institutions across the country are allocated funding based on the per-pupil financing model. However, the per-student financing was expected to be accompanied by increased school autonomy, and this objective has not yet been achieved.⁵⁰ The MoECR reports that in 2016, 76 percent of primary and secondary general education institutions were self-governing. In Chisinau municipality, the share is much lower; as of March 2017, only 33 out of 142 institutions adopted a self-management approach model. Those that did not adopt this approach, still do not have their own financial accounts or their own accountant, and therefore maintain a substantial dependence on the services provided by the LBSEs.

Consultations highlight support for the reforms and increased ability of autonomous school directors to provide educational services. While the number of consultations was limited and their findings therefore cannot be considered as representative, stakeholders generally expressed support to the per-student

⁴⁸ See section 4.3 for a more elaborate description of teacher management aspects.

⁴⁹ See Education Code, Article 144

⁵⁰ A self-managing school is a school with a significant amount of authority and responsibility to make decisions on the allocation of resources within a centrally-determined framework of goals, policies, curriculum, standards and accountabilities. Resources are defined broadly to include staff, services and infrastructure, each of which will typically entail the allocation of funds to reflect local priorities. A self-managing school has a high level of, but not complete autonomy, given the centrally-determined framework. (by Brian J. Caldwell)

financing formula and the move to increased school autonomy. Both, school directors and representatives of the MoECR highlighted that directors of schools which moved to the self-management model had become more responsible and better prepared to identify school priorities and needs. It was highlighted that many of the autonomous schools had managed to generate relatively substantial investments in school infrastructure, such as building sports grounds, establishing internet connectivity, renovating cantinas, replacing class room furniture, acquiring interactive school boards, etc.

The roll-out of per-student financing and school-autonomy has coincided with an optimization of the school network, which was a key objective of the reform. During the 2014-2016 period, more than 6,000 classes and 204 schools were closed, and 11,800 teaching and non-teaching staff were removed from the system. It is unlikely that such development would have taken place without the incentives that were provided through the new financing mechanism, and indeed it is commonly accepted that the reforms spurred the optimization of the network.

The reforms are considered to have had a positive effect on efficiency. The intended effect of the reforms was that those schools that operate with relatively low efficiency would ‘feel the pinch’ financially, and that subsequently efficiency-enhancing measures would be taken. The extent to which the financing reforms have a positive impact on efficiency depends on various factors, such as whether the formula creates incentives for the right (i.e. most inefficient) schools, and whether it motivates the most appropriate stakeholders (such as school directors and/or LPAs); whether these stakeholders have the capacity to act upon these incentives; and whether the regulatory and monitoring environment facilitates such actions. Indeed, consultations show that school directors are operating under strong budget constraints, and data on the declining number of schools, classrooms and teachers seems to show that the measures have the intended effect. Whether the impact of the reforms is sufficient to result in actual improvement in efficiency indicator such as per capita spending and student:teacher ratios, depends on whether efficiency improvements were strong enough to keep pace with the upward pressure on efficiency indicators caused by the decrease in the student population. These aspects are assessed in the forthcoming World Bank Education Sector Public Expenditure Review.

Consulted stakeholders highlighted four aspects that affect the extent to which the reforms succeed in promoting efficiency and quality of education provisions: (1) disproportionate expenditures on physical infrastructure and utilities; (2) school-level capacity; (3) a collaboration gap between schools and LPAs; and (4) national and local level guidance and monitoring. These four dimensions, which are likely inter-linked, are described below. A more in-depth analysis of all aspects would be appropriate to assess the extent to which they indeed impede full materialization of the positive impact of the reforms.

(1) Disproportionate expenditures on physical infrastructure and utilities. During consultations, directors reported that the poor condition of school infrastructure forced them to prioritize expenditures on renovations and repairs, rather than for example on teacher development or other expenditures to improve educational quality. It appears that a large share of schools has not benefited from infrastructure upgrades since Soviet times. Moreover, many schools reportedly occupy very large and energy inefficient buildings, with relatively large areas not being in use. Thus, expenditures on repair, maintenance, and utilities take up a disproportional share of available resources. While investments in physical infrastructure are certainly necessary, the tendency of school management to prioritize these over other quality-enhancing measures may also be due to weaknesses in

implementation capacity (i.e. a lack of knowledge to invest for example in teacher development), and weaknesses in the governance framework. Both these aspects are discussed in more detail below.

(2) School-level implementation capacity. Per capita financing may make directors of particularly inefficient schools ‘feel the pinch’, and these directors may be able to make autonomous decisions on budget expenditures. However, this will only generate positive results if school management can identify and implement quality and efficiency enhancing measures. There are doubts whether school management capacity is sufficient to develop and implement appropriate strategies; frequently, it may rather be the case that school management is limited to short-term financial planning, and ensuring compliance with budgetary regulations and reporting obligations. Implementation of the per-student financing and school autonomy resulted in increased demands on school directors to ensure compliance with budgeting requirements. There is a sense among stakeholders that this has reduced the time that the school director can allocate to ensuring the quality of education provision. In the early stages of the reforms, school directors and accountants received capacity building support. These reportedly focused on bookkeeping and formula implementation, rather than on approaches to promote optimization, efficiency, and the quality of education provision. After 2012, the first substantive initiative to train school management took place under the Moldova Education Reform Project, through which 700 school directors and 120 deputy directors received fiduciary training in 2017. Over 40 percent of school directors are reportedly recruited after 2012, and had thus not received training on financing and formula implementation before. Moreover, most of the 1240 current school directors are former teachers and have not received formal management training. Even those school directors and accountants who did receive training several years ago, and who benefitted from the training under MERP, will benefit from additional and regular capacity building activities, not only on budgeting, but also more generally on overall school management and quality education provision. For example, schools’ Strategic Plans generally appear to serve little more purpose than to comply with the legal obligation that such plans exist. The limited number of school directors who were consulted for developing this report, were unable to articulate strategies to improve the quality of education provision.

Ensuring sufficient implementation capacity seems to be further impeded by difficulties to recruit and retain accountants. School accountants are reportedly poorly paid (less than 1000 MDL/roughly 50 USD), especially compared to their responsibilities. There are cases when accountants feel overwhelmed and leave the job, leaving school directors unable to meet all bookkeeping requirements.

(3) Lack of collaboration between schools and LPA(I)s. Schools are required to maintain close relations with the community through their administrative council, which should include representatives of the LPA (I), parents, teachers, students, community representatives, and civil society organizations. However, mayors report that school directors have become less interested in collaborating with the LPA(I), since the responsibility for general education was assigned to the LPA(II) authorities, arguing that the LPA(I) no longer oversees the schools’ activities. In an effort to address the disengagement of schools from LPA(I)s, the MoECR, through the National School Inspectorate, is piloting the introduction of performance indicators for school managers and teachers related to their collaboration with the community; it remains to be seen whether such data will be gathered successfully and, if so, subsequently be used to improve collaboration.

(4) National and local level guidance, monitoring, and accountability. Gaps in planning and implementation capacity at the school-level appear exacerbated by weaknesses in guidance and monitoring provided by the national and local-level authorities. For example, stakeholders pointed to a lack of capacity at the MoECR and other national-level institutions to develop evidence and data-based policies and plans. Not only does this prevent individual schools to draw from national level prognoses and plans for the development of their own strategies, it also appears to reduce motivation at the school level (“if the national level does not do it, then why should we?”). Moreover, school management appears unclear which indicators are applied to evaluate performance in relation to implementation of the per-student financing model.⁵¹ This, in combination with weak monitoring from LPAs and the MoECR, points to a weak accountability mechanism which is likely to reduce reform incentives at the school-level. Similarly, there seems to be little in place in terms of a system where the national-level government holds LPAs accountable for quality or efficiency gains. Moreover, no strong mechanism appears to be in place, either through MoF or LBSEs, to monitor whether funds are allocated appropriately and efficiently. For example, there appears to be no mechanism to assess whether the budget allocated to renovations is based on realistic cost estimates, or to monitor the quality and frequency of renovations.

Revenues generated by schools themselves constitute only a marginal share of their overall budget. The possibility for schools to generate additional income creates the possibility to allocate additional funding to quality enhancing expenditures, but it might also reduce incentives to improve efficiency. Primary schools, gymnasiums and lyceums report about 1 percent of their expenditures being financed with their own revenues.⁵² It is unclear whether this low share is the intended result of government policy (to create additional incentives for efficiency-enhancing measures), or whether higher shares of own-revenue generation do not materialize due to weaknesses in the regulatory and governance mechanism. Within the regulatory framework, there is scope for certain income generating activities (such as renting out school spaces), while others are excluded (such as the provision of fee-based services by teachers within the schools’ premises). Schools receive no guidance on how to generate additional income. Moreover, schools are required to transfer any own-revenues back to the overall budget if they are not spent during the same fiscal year that they were generated. In this case, these funds may be returned to the schools during the subsequent fiscal year, upon the request of the school management.

4.3 Teacher management

Given the importance of teacher management in ensuring quality education provision, this section focuses in brief on policies related to teacher recruitment, remuneration, performance evaluation, and continuous professional development in general education.⁵³ The below relates to the existing *regulatory framework*

⁵¹ Per-pupil financing regulations stipulate that “Local public administration authorities and educational institutions will present, upon MoECR’s request, information and data, per some indicators and formulations, in the time-frame established by MoECR”. (Government Order 868, section 5, point 3.) Stakeholders at the local and school level indicated not to be aware of such indicators.

⁵² Source: Moldova BOOST database, 2008-2015.

⁵³ This section focus on teacher management in general education. Where appropriate and information was available, information is also provided on teacher management in pre-primary education.

only, and does not investigate the extent to which the framework is complied with in practice. A review of the *implementation* of teacher management policies can be considered a valuable topic for future analysis.

Recruitment of teachers and other school-based personnel

Human resource management related to recruitment is a shared mandate between different government levels and schools. Broadly, the division of responsibilities is as follows:

- The MoECR sets norms for managerial and teaching staff (such as pupil:teacher ratios), and develops procedures for the recruitment process (as well as for promotion and dismissals);
- LPAs are responsible for the recruitment of school management, and for the development of the employment scheme of non-teaching staff. They are also expected to monitor compliance of schools with regulations related to human resource management;
- Preschools and schools are responsible for the recruitment of teaching and non-teaching staff, using a competitive recruitment process.

Remuneration

Teacher salaries are largely based on teachers' educational attainment, and years of teaching experience. A teacher's standard salary is based on the teacher's educational attainment and the number of hours worked. The standard salary of a teacher with a tertiary education degree is about 10 percent higher than that of a teacher with a post-secondary degree.⁵⁴ Standard salaries are then increased based on additional qualifications and credits (adding up to 50 percent of the standard salary) and years of teaching experience (increasing the standard salary by up to 30 percent for teachers with more than 20 years of experience).

After nearly a decade of stagnant salary levels, teacher salaries are annually increased since 2014. The increase is based on the projected increase of the national average wage. For example, in September 2016, teacher salaries were increased by 8.6 percent. Despite the increases, consulted stakeholders report that salary levels remain low and discourage workers from entering or staying in the teaching profession.

Newly recruited teachers are entitled to additional remuneration to (partly) cover living expenses. Graduates of post-secondary and tertiary pedagogical institutes receive an allowance in addition to the standard salary during the first three years of their employment. The compensation is intended to cover the cost of accommodation, heating, and electricity, and is similar for all locations; i.e. there is no differentiation of the compensation amount depending on differences in the cost of living between rural areas and cities.⁵⁵

The Ministry of Education, Culture, and Research is currently reviewing the remuneration methodology for teachers, with support from the Moldova Education Reform Project. A principle objective of the

⁵⁴ Standard salary levels since September 2016 were 2680 MLD for teachers with a specialized post-secondary diploma, and 2955 MLD for those with a university degree. (Law on Salaries for the Public Sector, Annex 11).

⁵⁵ From January 1st 2017, newly recruited teachers with a university degree receive 45,000 MDL, and those with a post-secondary diploma receive a one-time allowance of 36,000 MDL.

review is to assess how to improve the balance between (on the one hand) fiscal sustainability of the wage bill and (on the other hand) providing current and prospective teachers with sufficient motivation to enter and stay in the teaching profession, and to take up hard-to-fill positions. For example, despite recent increases, wage levels reportedly continue to be insufficient to attract and retain teaching staff, resulting in high staff turnover, and particularly in difficulties in finding staff for relatively low-paid positions in locations (cities) where the costs of living are high. Consulted stakeholders also expressed concerns related to the incentives to new teachers, in particular that teachers are likely to leave their positions as soon as they stop receiving the incentives.

Performance evaluation

Teachers are expected to be subject to both internal and external assessments. The Education Code stipulates that teacher performance is evaluated internally once a year, and externally every five years. The methodology for both types of evaluations is expected to be developed by the MoECR, and to include the seeking of feedback from pupils, parents and other teaching staff from the educational institution.⁵⁶ The evaluation methodology does not yet exist.

The Ministry of Education, Culture, and Research and the National School Inspectorate are developing the methodology for teacher evaluation. The methodology was piloted in three rayons in the spring of 2017. The results were slated to be subject to public debate, after which the methodology is expected to be approved and rolled out. At the time of writing of this report, the proposed key objectives of the methodology are as follows:

- Promote a culture of evaluation at the level of the educational institution;
- Developing reflection and self-assessment competencies among teaching staff;
- Create a community of learning/learners within the educational institution;
- Motivate teachers to pursue their teaching career based on their individual preferences and abilities; and
- Disseminate best practices among teachers.⁵⁷

The draft methodology foresees a shared mandate in performance evaluation between schools, LBSEs and the NSI. In particular, the following roles are currently foreseen:

- Schools: organize and execute internal performance evaluations; provide logistic, didactic and materials support to teachers going through the review; monitor the professional evolution of teachers; promote teacher performance and a culture of evaluation;
- LBSE: provides (didactic and methodologic) support to schools; coordinate and monitor the quality of the internal evaluation processes and the didactic and methodological activity of schools;
- NSI: coordinate the performance evaluation process and the progress of teachers who undergo evaluation; provide advisory services and mediation to members of internal evaluation committees.⁵⁸

⁵⁶ Education Code, Articles 45 and 46.

⁵⁷ http://particip.gov.md/public/documente/137/ro_2795_Metodologie-de-evaluare-a-cadrelor-didactice2.pdf

⁵⁸ http://particip.gov.md/public/documente/137/ro_2795_Metodologie-de-evaluare-a-cadrelor-didactice2.pdf

Not only teachers, but also school management is expected to be evaluated once every five years. The evaluation is to be carried out by the LBSE and the National School Inspectorate, based on the methodology as approved by the MoECR. In addition to this formal evaluation, school directors are required to submit an annual activity report to the Administration and Teachers' Boards.

Continuous professional development

Continuous professional development (CPD) of teachers is a shared mandate of various government levels and schools, but the current framework for CPD does not seem to correspond to the approach envisaged in the Decentralization Strategy. The Decentralization Strategy assigns responsibility for the professional development of school management and teachers to the Ministry of Education, Culture, and Research. In particular, the Decentralization Strategy foresees an important role for RDOMs, which to date have not been established. Both first and second level local authorities are assigned a role in the *financing* (but not the provision) of human resource development. No information was identified that details the extent to which local authorities indeed finance these activities, and what the impact of these activities is. Individual schools are also mentioned to have responsibilities in the area of CPD. The strategy does not refer to the Institute of Educational Sciences, which is a structure under the MoECR that is considered the main driver of teacher development.⁵⁹

4.4 Main findings and potential directions for improvement

Promoting quality and efficiency in general education: an unfinished agenda

In general education, Moldova continues to face the dual challenge of improving quality and increasing efficiency. The objective of improving efficiency seems partly the result of an observed need to reduce budget expenditures on education, and partly to free up resources to invest in quality improvements. Recent years have indeed seen a reduction in the share of GDP that is allocated to general education (as well as to the overall education sector), as well as an improvement in PISA scores. Nevertheless, due to the downward demographic trend in Moldova, the impact of interventions that improve efficiency continuously risk being offset by the negative impact on efficiency of decreasing student numbers.⁶⁰ At the same time, the quality of education needs to further improve if Moldova is to reach learning levels similar to those of its neighbors. These broad observations raise two main questions: (1) can the measures to improve efficiency be improved, both in terms of regulatory framework and implementation; and (2) what additional measures (if any) may be required to improve the quality of education provision.

Expectations may have been overly reliant on the assumption that efficiency gains from network optimization, combined with increased school-autonomy, would result in quality improvements without additional reforms directly targeting the quality of education provision. This present report focuses specifically on the functioning of the decentralized framework for education delivery, particularly on the mandates of the various levels of government, and the mechanisms (on paper and in reality) to ensure that each level is facilitated and incentivized to carry out their mandates. The report thus does not include a quantitative analysis of the impact of the reforms on efficiency and quality of education (the forthcoming Education Sector PER does include such an analysis). From the qualitative, governance angle

⁵⁹ <http://ise.md/despre-institut/>

⁶⁰ See World Bank, Education Sector PER (forthcoming)

that is applied in this report, various findings and potential directions for improvement can be identified, as follows:

- ***The new financing mechanism may not provide sufficient incentives to responsible actors to promote network optimization.*** Whereas the new financing formula may force a reduction in personnel, it may not result in sufficient incentives for network optimization in terms of school closures or mergers, which are assumed to be essential to improve the quality of education provision as student numbers and available financing decrease. LPA(II)s are responsible for the management of the school network, but may lack the motivation. Existing accountability mechanisms between LPA(II)s and national-level institutions, such as the MoECR or the Ministry of Finance, may not provide the LPAs with the incentives to close or merge schools, even when financial constraints make it harder to continue providing education 'as usual'. This seems to leave few incentives to LPAs to engage in network reorganization, other than intrinsic motivation to improve the quality of education provision combined with a conviction that network restructuring does indeed help achieve this objective. These may be insufficiently strong motivation factors, especially considering that such reforms may face resistance from school management and parents.
- ***The scope for efficiency gains via optimization of the school network in rural areas may have been over-estimated, whereas optimization in urban areas may occur slower than is expected feasible.*** The 2010 feasibility study on options for consolidating rural schools did not consider the quality of roads and the language of instruction in schools, which both constrain the potential for school closures without impairing access to education. In practice, these factors do appear to impede school network consolidation in rural areas. In urban areas, on the other hand, while student-teacher ratios have risen, they are still relatively low, which appears to point for further scope for efficiency gains by optimizing the urban school network.
- ***Schools face barriers to adopt the self-management approach.*** The new financing mechanism is expected to facilitate school-autonomy, which in turn is expected to promote the quality of education provision. However, in 2016, 76 percent of primary and secondary general education institutions were reported to be self-governing.⁶¹ It does appear to be the government's intention that eventually all schools become autonomous, even though for some, especially the smaller ones, their management might better remain at the higher, LPA level. While no comprehensive assessment has yet been carried out of the reasons that prevented a quarter of schools to become autonomous, constraints are likely to include a lack of incentives and implementation capacity (such as fiduciary expertise) among school management, possible resistance from LPAs to relent authority to school management, and difficulties in recruiting and retaining the obligatory accountant.
- ***Autonomous schools – and LPA(II) authorities - lack the capacity to achieve quality and efficiency improvements.*** The increase in autonomy does not seem to have been accompanied by extensive efforts to build the capacity of school management, except for training activities at the initial stages of the reform emphasized financial management practices. Moreover, the management of autonomous schools has extra responsibilities concerning budget development and expenditures, implying that less time can be spent on overall management and quality assurance activities. Similarly, LPA(II) authorities (who have important responsibilities to ensure the provision of general education even when all the schools in their territory are self-managed) have hardly appeared to have benefited

⁶¹ <http://edu.gov.md/ro/content/reteaua-scolara-anul-2016-cati-elevi-si-cate-scoli-avem>

from capacity building activities in recent years. Recent training activities under the MERP have increased capacity of school directors on a variety of dimensions, and will provide training to teachers.⁶² The training provided by the MERP covered 10 percent of school principals; the forthcoming Additional Financing of the MERP would fund training to a substantially larger share of school directors. While externally financed capacity building activities are beneficial, more efforts are needed to develop a systematic and comprehensive mechanism to boost capacity to provide quality education for the whole general education system.

- ***Schools and LPAs are not held accountable for results, partly because monitoring activities as foreseen in the regulatory framework do not occur in practice.*** The mandate for monitoring education service delivery and budget execution is divided between the MoECR, the MoF, LBSEs and local finance departments (section 4.1). Several activities, support by the World Bank, are ongoing to strengthen monitoring (such as the support to the NSI and NACE under the MERP) and to promote civic engagement in education (under the Social Accountability for Education Project).⁶³ Further activities, based on a clear understanding of where other main weaknesses lie, might be considered. The absence of RDOMs, which have a strong monitoring role 'on paper' would need to be taken into consideration, as will the balance between the merits of focusing on the financial aspects of monitoring (through MoF and regional finance departments) and those that are monitored by entities in the education sector (MoECR, LBSE).

Considering the above, future interventions would need to focus on addressing constraints to quality education that would include, but go beyond, a focus on efficiency and autonomy. While a more in-depth review will be required to identify and prioritize interventions, these could possibly include continuing interventions at all levels of the education system to create incentives for and facilitate network restructuring; increasing the possibilities and capacity for self-management in schools; and quality enhancing measures such as capacity building for school management on both the narrow topic of fiduciary processes and more broadly on sound management and planning of education provision, strengthening monitoring and accountability measures through the NSI, and others. Several consulted stakeholders proposed to clustering the management of several small schools under one umbrella, potentially managed by the principle of a larger school. The assumption would be that this would promote economies of scale, and at the same time reduce the dependency of smaller schools on LPAs. As this is a potentially far-reaching reform, a detailed design of the potential changes combined with a sound review of the potential impact (both positive and negative, and related to both quality and efficiency implications) is recommended before embarking on such a reorganization.

Teacher management and professional development appear key areas to consider in the continuous pursuit to improve the quality of education provision. Considering the centrality of teachers in the education process, efforts to improve the quality of education would likely include interventions to strengthen teacher quality through initial and continuous professional development, and to promote their effective engagement through remuneration and human resource management practices that provide appropriate incentives while remaining within the available fiscal envelope. Ongoing efforts of the MoECR

⁶² Training provided to school principals covered six modules: (i) vision and strategies; (ii) curriculum; (iii) human resources; (iv) financial and material resources; (v) structures and procedures; and (vi) community and partnership.

⁶³ The Social Accountability for Education Project (P147607) engages parents and communities in policy dialogue and decision-making at the school, local, and national levels, with the aim to strengthen the quality and efficiency of education service delivery. It is funded by the multi-donor Global Partnership for Social Accountability Trust Fund.

to address these aspects might benefit from the development of a comprehensive framework that links key elements including, among others, the financing and provision of initial teacher training and continuous professional development; performance-based remuneration elements; and the persistent need to improve the efficiency of the education system, considering that 59 percent of public education expenditures is allocated to wages.

Annex 1. Areas for future research

This report aims to take a first look at the theory and practice of the current decentralized mechanism for pre-primary and general education provision. It has highlighted several areas on which knowledge gaps exist, and which would merit future analysis to strengthen the knowledge base that can serve to further strengthen the system. Identified areas include the following:

1. **Review and adopt the draft NSDA**, or any other document that provides clarity on the broad division of mandates across actors in the education sector that are included in the Education Code. (Chapter 2.3)
2. An **in-depth review of LPA activities related to education**. LPAs have strong mandates in the area of education. In many cases, this concerns mandates that are shared either with the national government or with schools. Largely because the monitoring functions of the national level government are not (yet) well-developed, little is known about the extent to which LPAs achieve to fulfill their mandates. From a limited number of consultations, it appears that there may be strong differences across rayons and municipalities, and that there may be weaknesses in capacity and incentives. A more thorough review of current practices and constraints across LPAs would be a useful area of further analysis. (Chapter 2.3)
3. **Analyze the costs and benefits of establishing Regional Deconcentrated Offices (RDOMs), compared to assigning RDOM-mandates to other entities**. In theory, RDOMs should carry out a host of important activities, related among others to monitoring and human resource management. Reportedly, the MoECR will assess the need and feasibility of establishing RDOMs in the context of local public administration reforms which are planned for the years 2018-2019. Such an assessment does indeed appear highly appropriate. Ideally, it would include not only an assessment of the costs and benefits of RDOMs, but also a review of which entities would be most appropriate to take on RDOM mandates in their absence. (Chapter 2.4)
4. **Assess constraints to applying the school self-governance approach, and differences in performance between schools that are autonomous and those that are not**. In 2016, almost a quarter of general education schools did not yet apply the self-governance model, and instead continued to rely on LPAs for activities related to, for example budget development. An analysis of constraints to moving to school-autonomy, focusing on capacity and incentives of both LPAs and schools, could shed light on why this share is not higher. Moreover, a review of differences in performance between schools that are autonomous and those that are not, could highlight whether indeed the move to self-governance produces better outcomes, as well as potential reform options to increase the benefits of autonomy. (Chapter 4.2)
5. The **framework for general education providers' own-revenue generation** could be reviewed, and recommendations provided to promote its contribution to improving quality and efficiency of education provision, and at the same time promoting lifelong learning opportunities. The possibility for schools to generate and retain their own revenues might create some tension between aims to improve quality of education and to achieve efficiency gains. A review of the regulatory and governance framework for revenue generation, including recommendations to strike the right balance between these objectives, may be appropriate. This could include a review

of options to promote schools' engagement in lifelong learning activities, which they currently scarcely offer. (Chapter 4.2.)

6. A review of the **implementation of teacher management policies**, complementary to the review of the regulatory framework as included in this report, can be a valuable topic for future analysis. (Chapter 4.3.)
7. Several consulted stakeholders proposed to **clustering the management of several small schools under one umbrella**, potentially managed by the principal of a larger school. The underlying assumption of such proposal is that this would promote economies of scale, and reduce the dependency of smaller schools on LPAs. As this is a potentially far-reaching reform, a sound review of the potential impact (both positive and negative, and related to both quality and efficiency implications) is recommended before embarking on such a reorganization. (Chapter 4.4.)

Annex 2. Details on the per-pupil based formula

According to Government Decision 868, the total amount of transfers for the second level Local Public Administration (LPA II) authorities is calculated using the following formula:

$$C = A \times N + B \times S,$$

Where:

C = sum/amount of all categorical transfers for all institutions from the administrative-territorial unit;

A = normative value per one “weighted student”;

N = number of “weighed students” from a specific administrative-territorial unit;

B = normative value per educational institution;

S = number of educational institutions of one administrative-territorial unit
(fixed based on the number of institutions in 2007);

In the formula, the share of normative value **A** (variable expenses per pupil) or WA equals 0.82, while the normative value **B** (fixed expenses per institution) or WB is 0.18.

For calculating the number of “weighted students” the following weighting coefficients are applied:

0.75 – for students of grades 1-4;

1.00 – for students of grades 5-9;

1.22 – for students of grades 10-12.

The volume of allocations per educational institution is determined based on the following formula:

$$V = (A \times N + B) \times K + R + I,$$

Where:

V – volume of the allocations for an educational institution;

A – normative value for a “weighted pupil”;

N – number of “weighted pupils” in an educational institution;

B – normative value for an educational institution;

K – coefficient of the territorial administrative unit, equal to 0.95, which can't be lower than this value (maximum 3% for composition of the second level territorial administrative unit and maximum 2% for inclusive education);

R – allocations distributed to a specific educational institution from the territorial administrative unit;

I – allocations distributed to a specific educational institution from inclusive education fund.

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