

THE FINANCING OF THE PRIMARY AND GENERAL SECONDARY EDUCATION INSTITUTIONS IN THE REPUBLIC OF MOLDOVA

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Abstract: Formerly, in the Republic of Moldova financing for pre-university education, is based on standard cost per student. A standard cost system is valuable for the education institutions management and for the planning and decision-making purposes in the context of efficiency and funding. Negative demographic trends create problems of over-dimensioning of the network of educational institutions, in particular, in general education, leading to inefficient use of resources and do not allow investing in upgrading of schools and coverage of their needs. The objectives of this paper were to provide a greater understanding of the standard cost mechanism of financing of pre-university education.

Indexterms: education, standard cost, institution, finance, funds, public administration unit, formula, district component.

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I. INTRODUCTION

The education field in the Republic of Moldova is a national priority and the primary factor for the strong development of a society based on knowledge. The State assures the financing of a standard package of educational services for primary, gymnasium and lyceum education, regardless of the type of property of the Educational Institution. The standard package of educational services for general education is approved by the Government. The basic financing of the general education is performed on the principle “the money follows the student” [1], in accordance with which the sources allocated for student are transferred to the education institution in which he or she is studying [4].

The priority source of financing of primary and secondary general education institutions constitute the category transfers with special destination from the state budget to local budgets.

The transfers with special destination are calculated and carried out by the Finance Ministry, according to regulations approved through Government’s Decision no. 868 from October 8, 2014 “On financing of the basis of basic standard cost per pupil of primary and secondary general education institutions from the subordination of the local public authorities of second level” MO no. 319-324 art. 930, October 24, 2014.

II. OVERVIEW OF FINANCING SYSTEM OF PRE-UNIVERSITY EDUCATION IN THE REPUBLIC OF MOLDOVA

The modernization of the financing system of pre-university education from the Republic of Moldova is meant to provide:

The increasing of the expenses’ equilibration per pupil;

- The improvement of public expenses;
- The simplification and strengthening of the possibilities for forecasting the budgeting process;
- The increasing of the transparency in the schools’ financing;
- The extending of financial autonomy.

Table 1: **Expenditure dynamics for primary and general secondary education institutions (2018-2021)**

Indicators	2018	2019	2020	2021
Expenditures, mil. lei	4464,5	4650,3	5610,3	5859,9
Numbers of institutions	1252	1206	1190	1183

(schools, gymnasiums, lyceums)				
Nr of students	326762	328481	326700	325267
Average expenditures per student ,lei	13662,8	14156,9	17172,7	18015,6

Source: Author’s calculations based on the Ministry of Finance Data. /

The information from the table confirms the increase in expenditures for financing primary and general secondary education institutions from 4464.5 million lei in 2018 to 5859.9 million lei in 2021. This represents an increase of 23.8 percentage points. At the same time, the number of students decreased from 326762 in 2018 to 325267 in 2021, which represents a decrease of 1495 students. The table also presents the average expenses per student being increased by 4352.8 lei in 2021 compared to 2018.

The methodology of funding based on standard cost per student has positively influenced the rationalization of the school network so the number of students per institution has increased. Nevertheless, the total number of students at education institutions is steadily declining since 2019.

III. STANDARD –COST FINANCIAL MECHANISM

The literature review screens scholarly studies on allocating money through funding formula directly to schools, thus it excludes formula funding schemes between different levels of government. The impact of formulas on incentives and school finances can be clearly distinguished from other allocation mechanisms whereas this is not the case when redistribution by formula takes place between different levels of government (Fazekas2012)[7].

The utilization of the cost standards makes the financing system in education more transparent and more predictable in comparison with the financing mechanism based on historical costs.

Thus, the budgets of the schools are constructed on the basis of costs per pupil and per institution determined annually through the Law of the State Budget, the number of pupils and a series of specific coefficients.

The financing methodology of the standard cost per pupil is represented through a unique (unified) specific formula for the budgets of different levels applied on the basis of the expenses grounds for all educational institutions. The category transfers are extended over basic compenence of the budget and comprise:

Current expenses with the exception of expenses for:

- ✓ Food ;
- ✓ Studying of languages of national minorities;
- ✓ Specific conditions of retribution of the workers work of some institutions from the districts of Causeni, Anenii Noi and Dubasari;
- ✓ The activity of the mandatory training groups for school children;
- ✓ The additional salary, as a result of the reduction to 75% of didactic norm for teachers in the first three years of pedagogical activity”;
- ✓ Capital expenses, with exception of capital investments.

In order to determine the relations between state budget and administrative-territorial budgets in implementation of the financing methodology, the amount of category transfers for administrative-territorial units of second level is calculated according to the following formula

$$C = A \times N + B \times S, (1)$$

where:

- C – the amount of category transfers for all educational institutions from administrative-territorial unit;
- A – value norm for a “weight coefficient”;
- N – number of “weight coefficient” in a concrete administrative-territorial unit;
- B - value norm for an educational institution;
- S – number of educational institutions of an administrative – territorial unit;(annex no. 1 to Government’s Decision of RM no. 868 from October 08, 2014)[3].

The number of “weight coefficient” (N) is determined in all educational institutions on the basis of data regarding the number of pupils from the groups of 1st – 4th, 5th – 9th and 10th – 12th classes, at the end of the management period, from the 9-month report of the previous budgetary year. The data of each group of classes is multiplied with weighting coefficient for each group

0,83 – for pupils of 1st – 4th classes;

1,00 – for pupils of 5th – 9th classes;

1,22 – for pupils of 10th – 12th classes;

The volume of allowances for each educational institution is determined and is approved by the administrative-territorial authorities of the second level through the application of following formula

$$V = ((A \times N + B) + (B1 \times S1)) \times K + R + I, (2)$$

where:

- V– the volume of allowances for an educational institution;
- A– value norm for a “weight coefficient”;
- N– number of “weight coefficient” from an educational institution;
- B– value norm for an educational institution;
- K– the coefficient of administrative-territorial unit, equal with 0,95, which cannot be smaller than this value (maximum 3% for the component of the administrative-territorial unit of second level and maximum 2% for the fund of inclusive education);
- R– allowances allocated to a concrete educational institution from the component of the administrative-territorial unit;
- I– allowances allocated to a specific institution from the fund of inclusive education.
- B1 – the value norm for a branch, equal in value to parameter B;
- S1 – the number of branches of an institution;

Further, we will present the calculation of the allowances’ volume for certain educational institutions arising from the standard costs per pupil and per institution determined for 2022.

For calculation of the allowances’ volume, the following information is necessary:

Number of pupils registered on groups in the 1st – 4th, 5th – 9th and 10th – 12th classes as of October 1, 2021;

Weight coefficient [2]

0,83 – for pupils of 1st – 4th classes;

1,00 – for pupils of 5th – 9th classes;

1,22 – for pupils of 10th – 12th classes;

Parameters of formula for 2022 year:

- Parameter A (for a weight pupil) 14 916, 0 Moldovan Lei
- Parameter B (for educational institution) 804151, 0 Moldovan lei

Table 2: Estimation of the budgetary allowances for educational institutions

Indicators	School no.1	School no.2	School no.3
Number of ponderation pupils	569	145	360
Value norm for a weight pupil (lei)	14916	14916	14916
Value norm for institution (lei)	804151	804151	804151
District coefficient	0,95	0,95	0,95
Budget calculated on formula base (basic component) (lei)	8 826 787	2 818 622	5 865 215
Total of allowances	808 800	0,00	59664

from district component (lei) inclusively			
Transportation of pupils (lei) (20 pupils)	0,00	0,00	59 664
Accommodation in hostel (lei) (50 pupils)	745 800	0,00	0,00
Allowances from the fund for inclusive education (lei)	63000	0,00	0,00
Allowances for feeding of pupils (10,8 lei x171 days x 160(no. of pupils of 1st – 4th classes)), (lei)	295488	0,00	0,00
Total Budget	9 931 075	2 818 622	5 924 879

Source: Author’s calculations

From the table data, we observe that School no. 1 and School no. 3 benefit from district component allowances for covering the expenses for pupils’ transportation and respectively the accommodation of pupils in a hostel.

We mention that according to the Regulation on allocation and use of financial means from component of administrative-territorial units (Annex no. 2 to Government Decision no. 868 from October 8, 2014) the financial means can be divided to educational institutions for financing of following expenses among:

Transportation of pupils to and from school; (20% from value norm (A) for each transported pupil, as the case may be according to effective expenses)

Compensation of expenses of transportation of teachers for coming to educational institutions from other locality than the residence locality on distances that exceed 2 km in order to carry out educational activities;

Maintenance of pupils in hostels (these expenses will not exceed 100% from value norm (A) for each accommodated pupil)

Functioning of primary schools and/or primary school – small kindergarten;

Functioning of small schools, which cannot be closed;

Capital expenditures for reparations and purchases of fixed assets.

In the case where the number of “ponderation pupils” in the institution is higher than the one taken into account when estimating the categorical transfers from the state budget to the budgets of the administrative-territorial units, the difference will be covered by the administrative-territorial unit.

The primary and general secondary educational institutions in which pupils with special needs are enrolled benefit from allowances from the inclusive education fund and use them according to the Regulation on the formation and use of the fund for inclusive education (Annex 3 to GD 868 from October 8, 2014). The authorities of local public administration of second level are responsible for the organization and functioning of schools’ network and classes consolidated for facilitation of the access to quality educational services for all pupils and efficient use of financial means designated to education. The schools’ network is in continuing change due to decreasing of pupils’ number, which generates the appearance of “small schools”, namely primary schools that have a number equal to or less than 41 “ponderation pupils” and gymnasiums with a number equal to or less than 91 “ponderation pupils”. At the same time, we must mention that there are small schools that cannot be closed, namely the school near which, within a reasonable radius of 10-15 km, there is no other similar school with classes at the same level, with places available, with the same teaching language;

For these educational institutions, the allowances are determined according to the following formulas:

For primary schools with equal or less number of 41 “weight coefficient”

$$V = N \times (N1 \times A + B) / N1 \times K + R + I, (3)$$

where:

- V– the volume of allowances for an educational institution;
- N– number of „ weight pupils” from an educational institution;
- N1– the allowed level of the number of pupils in the institution, 41 of „ weight pupils”;
- A– value norm for a „weight pupil”;
- B– the value norm for an educational institution;
- K– the coefficient of administrative-territorial unit, equal with 0,95, which cannot be smaller than this value (maximum 3% for the component of the administrative-territorial unit of second level and maximum 2% for the fund of inclusive education);
- R– allowances allocated to a concrete educational institution from the component of the administrative-territorial unit;
- I– allowances allocated to a specific institution from the fund of inclusive education;

For gymnasiums with equal or less number of 91 of „weight pupils”:

$$V = N \times (N2 \times A + B) / N2 \times K + I, (4)$$

where:

- V– the volume of allowances for an educational institution;
- N– number of „weight pupils”: from an educational institution;
- N2– the allowed level of the number of pupils in the institution, 91 of „weight pupils”;
- A– value norm for a „weight pupils”;
- B– the value norm for an educational institution;
- K– the coefficient of administrative-territorial unit, equal with 0,95, which cannot be smaller than this value (maximum 3% for the component of the administrative-territorial unit of second level and maximum 2% for the fund of inclusive education);
- I– allowances allocated to a specific institution from the fund of inclusive education;

The educational institutions (gymnasiums) which have a number equal or less than 91 of “„weight pupils”: may activate only as branch of an institution with legal personality.

Table no. 3 Estimation of budget for small school (Moldovan Lei)

Indicators	Primary school	Gymnasium
Number of weight scholars	36	65
Value norm for a weight pupils (lei)	14916	14916
Value norm per institution (lei)	804151	804151
District coefficient	0,95	0,95
Budget calculated on the formula basis (basic component)	1 180906	1 466736
Total allowance from district component (lei)	160000	0,00
Allowances from the fund for inclusive education (lei)	0,00	25200
Allowances for feeding of pupils (10,8 lei x 171 days x 44 (no. of pupils of 1st – 4th classes)), (lei)	81259	81259
Total Budget	1422165	1573195

Source: Author’s calculations

For ensuring the functioning of small schools (primary schools, kindergartens and small schools that cannot be closed) from the administrative-territorial units, the financial resources necessary for their activity are allocated until the end of the budget year. These financial means are divided on the basis of justified calculations for each type of expenses. At the same time, it should be mentioned that small schools register a budgetary deficit that needs to be covered from financial means of district component, thus decreasing the allowances designed for other institutions for investments or other activities.

IV. CONCLUSION

The rationalization of the network of educational institutions allows the local public administration authorities to use efficiently the financial means and to develop the didactic and material base of the institutions. The impact of changes in the financial mechanism over efficiency. The financing based on the standard cost per student offers:

Rationalization of the network of educational institutions;

Extending the schools's autonomy;

Allocation of category transfers with special destination;

The cash balances registered by the educational institutions will be restored to the same institutions in the next budget year;

The cash balances registered at UAT component and at Inclusive Education Fund will be transferred to the next budget year and will be distributed and used according to the regulation (Annex 3 to GD 868 from October 08, 2014).

The category transfers that have special destination, which does not allow them to be used for purposes other than educational ones;

The opportunity of the educational education to manage more efficiently their financial resources and optimize their expenses.

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