

**DECENTRALIZING EDUCATION: MANAGING THE
CHANGE
THE CASE OF MOLDOVA**

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ABSTRACT

Education decentralization policies are considered and implemented by many countries around the world as a solution to inefficient management and use of financial sources, unequal access to education services and to stimulate local participation. The recent public administration decentralization reform initiated by the Moldovan Government announces important structural changes including in the compulsory education field. Hence, this thesis set off to analyze the main issues that the administrative decentralization reform will deal with once applied in the public compulsory education field in Moldova. To do so, it analyzed the distribution of administrative and financial competences, ownership matters, administrative and institutional capacity and democratic participation in terms of efficiency, equity and accountability. It concluded that the main challenges the policy makers will face are related to the confusing distribution of competences between different government tiers, weak administrative and financial capacity, while strengthening participation and accountability leverages at local level. Building a case for delegated educational competences to regional governments, various policy implications are analyzed in the last section.

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Table 2 Competence Assignment Policy Options Evaluation

ACRONYMS

Art.	Article
CALM	The Congress of Local Authorities from Moldova
CEE	Central Eastern European
CG	Central Government
DS	Draft Strategy
EDL	Education Draft Law
EG	Expert Group
EL	Education Law
GDP	Gross Domestic Product
GOM	Government of the Republic of Moldova
IMF	International Monetary Fund
IPP	Institute for Public Policy
LGI/OSI	Local Government and Public Service Reform Initiative, Open Society Institute - Budapest
LG	Local Government
LLAP	Law on Local Public Administration
MDG	Millennium Development Goals
NBS	National Bureau of Statistics
OECD	The Organization for Economic Co-operation and Development
PISA	OECD Programme for International Student Assessment
RED	Regional Education Directorate
RG	Regional Government
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
WB	World Bank

INTRODUCTION

Decentralization policies have been on the agenda of many countries around the world for over three decades already. Various political, economic, social factors prompt countries to consider decentralizing administrative and fiscal responsibilities to sub-national governments and the market. Many developing countries perceived decentralization either as a burden or “a cure for all ills” (Bird and Vaillancourt, 1999:1). The collapse of the former Soviet Union determined large systemic changes in Central and South Eastern European countries. Congruent with local autonomy principles, the decentralization of administrative responsibilities to sub-national governments was conducted in parallel with broader democratization and economic liberalization changes.

In the Republic of Moldova the throes of redesigning the public administration system have been particularly excruciating. Ever since it gained its independence in 1991, it has juggled back and forth between various more decentralized or centralized administrative and fiscal settings. The territorial administrative reorganization and decentralization experimented in 1998 was short-lived, whereas the 2006 decentralization reform was not implemented. Recently, the Moldovan government renewed its commitment to advance the decentralization process (Rethink Moldova, 2010) and has developed a strategy draft that is currently largely debated. It also heralds decentralization of various public services, including public compulsory education (SD, 2011).

In this context, this paper seeks to assess what are the main problems that the announced decentralization initiative would encounter once applied in the field of compulsory public education administration. This paper will focus on the distribution of competences claiming that the confusing assignment of competences between different layers of governments and weak administrative and financial capacity are the main problems the decentralization initiative will have to address, as they negatively affect the provision of education services in terms of efficiency, equity and accountability. Consequently, policy implications will be discussed.

This thesis focuses on administrative decentralization in the field of compulsory education sector in Moldova due to several reasons. Compulsory education is one of the main public services with a tremendous impact on human capital development, social value preservation and economic competitiveness of a country. At the same time, given the fact that public education is one of the most expensive public service accounting for up to 60% (and many instances even more) of local public budgets and over 9% of the national budget (EG, 2010; IMF, 2010). Once enacted, the decentralization reform will inevitably affect to a certain extent the education sectors as well. On the other hand, recent developments in this field (increasing dropout rates particularly in the rural areas, underpaid teachers despite continuous increase in public expenditures for public education, maturation and/or shortage of teaching staff in rural areas) (IPP, 2010; Munteanu et al., 2008) signal that the current setting is not performing efficiently hence making governmental interventions compelling.

To answer the research question mainly qualitative research methods are employed, combining desk-research and field research (i.e. interviews with main stakeholders). The paper will be organized as follows. The first chapter will present the main theoretical arguments for and against decentralizing service provision as confirmed by the existing empirical evidence on educational decentralization. The second chapter will focus on the Moldovan case, analyzing the education sectors through the lenses of the administrative decentralization process. Policy implications will be presented in the third chapter, whereas the main findings will be summarized in the last, concluding part.

CHAPTER I: LITERATURE OVERVIEW

Decentralization is a multifaceted process. The supporters of decentralization argue that it can alleviate collective choice and information asymmetry problems, while enhancing accountability. On the other hand, weak technical capacity at the local level, corruption and other similar phenomena can hinder the success of decentralization (Galliani and Schargrotsky, 2002). This chapter will define the main notions and expand on the debate regarding public service provision decentralization and the empirical evidence on successes and failure of educational decentralization

1.1 Definition and Depth of Decentralization

In general terms, decentralization refers to the transfer of authority from the higher to lower levels of government (Litvak et al., 1998). Building on Rondinelli's typology (cited in Winkler, 1989), the literature in this field distinguishes between *deconcentration*, *delegation*, *devolution*¹ of responsibilities and authority. The weakest form of decentralization, *deconcentration* refers to CG's transfer of implementation tasks without decision-making authority to its own branches located at regional or local level (Winkler, 1989). *Delegation* and *devolution* on the other hand refers to a more substantive share of responsibilities. Local governments that have been *delegated* tasks act on behalf and are held accountable by the CG while enjoying discretion in providing the respective public service. While potentially conducive to principal-agent type of problems delegated functions can be withdrawn and redistributed to other entities (Litvak et al., 1989; Fiske, 1996). Higher education and vocational education responsibilities are oftentimes delegated (Winkler, 1989). In *devolved* systems, the most extended form of decentralization, the decision-making and implementation authority is

¹ Privatization, another important form of decentralization will not be discussed here as it is beyond the scope of this paper.

permanently shifted to autonomous sub-national governments that exercise their autonomy over financial, administrative or even pedagogical issues independent of or with little CG control (Fiske, 1996). *School management and/or the local community* can also be recipients of delegated or devolved authority over school management and financial matters. Given the complexity of education services, many countries adopt various hybrid models, with some educational elements being centralized while others decentralized (McGhinn and Welsh, 1999). In this sense, the main concern is to identify the optimum assignment of responsibilities.

1.2 Why Decentralize Public Service Provision: The Debate

The literature in this field discusses various aspects of decentralizing government responsibilities from fiscal, administrative, and sector specific responsibilities and linking decentralization and various outcomes like macroeconomic stability, growth, poverty reduction, etc. However, this chapter will discuss only the most relevant aspects debated in the literature regarding decentralizing public service provision to sub-national government level. It will continue with empirical evidence on educational decentralization presented in relevant studies.

1.2.1 Efficiency

Following the ascendance of the New Public Management paradigm and its' emphasis on enhancing efficiency and performance in public service delivery many countries around the world embarked on decentralizing various public service functions to sub-national governments and other actors situated outside the central government bureaucracy (WB, 2001). The theoretical debate on the optimal distribution of functions and responsibilities between different government tiers and its

consequence on public goods provision started much earlier and is reflected in the works of the Fiscal Federalism scholars who focused on the economic and political aspects of this process (Ebel and Yilmaz, 2001).

The case for decentralization was built on the argument that decentralization fosters a more *efficient allocation* of resources (the allocative efficiency) (Litvak et al., 1997). Musgrave (1989) stated that since the provision of public services and goods is limited in reach, their allocation should be provided by the jurisdiction where the benefits accrue, thus allowing for a greater diversification of public goods and services (Musgrave and Musgrave, 1989). Building on this argument, Oates' put forward in 1972 the *decentralization theorem* arguing that local governments can ensure a more efficient public service provision in terms of Pareto-efficiency due to their ability to attain *a better match between public goods, local preferences and local costs*, provided that local governments can internalize both the profits and the costs derived from providing the respective public goods and services (Oates, 2006). However, some evolutionary factors like communication technology and increased mobility facilitated various forms of inter-jurisdictional agreements and cooperation that better respond and/or affect local cost for service provision which should serve as ground for further research.

On the other hand, Shah et al. (2004) argued that the allocative efficiency argument might not be valid in transition countries due to *misaligned or lack of clear assignment of responsibilities*. In the absence of transparency and institutional clarity, intergovernmental coordination might fail particularly regarding fiscal matters and thus induce inefficient spending of public finances (de Mello, 1999). Moreover, the efficiency arguments were contested against their failure to take into consideration other factors like *negative externalities* which might be the case for services with potential negative environmental effects, and *under-provision of services* with cross-jurisdictional benefits (McLure and Martines-Vazquez, 2004).

Decentralization of public services has been argued to enhance *productivity efficiency* through reduced bureaucracy and a better calculation of local costs (WB, 2001). Moreover, in decentralized settings local governments are believed to be more efficient in *mobilizing local revenues* due to their familiarity with the local economy and population but also ability to fight against tax evasion (Bahl, 2010). Moreover, as it has been argued above, decentralization adjusts better public services to local demand, increasing local population's willingness to pay and contribute to the maintenance of public services and hence contribute to cost recovery for public services (Azaf et al., 1999). However, some authors argue that these hypotheses might not be valid particularly in developing countries where there is often a lack of administrative capacity and poorly qualified civil servants at local level (Shah et al., 2004).

Further on, larger local autonomy is expected to stimulate local governments to become more *creative and innovative* in providing social services (Thiessen, 2001). On the other hand, in South Eastern European countries, the claim that the central government is the only body capable of promoting modernization in education is one of the main centrifugal forces (Rado, 2010).

1.2.2 Equity

Much of the deliberation on decentralizing public service provision is concerned with *equitable* distribution and access to public services (Litvak et al., 1997). Disparities are expected to arise from uneven distribution of natural resources guilty for unequal economic and revenue collection potential among jurisdictions. Hence certain disadvantaged areas can experience insufficient and/or poorer quality public service provision (Bahl, 2010). Keeping in mind this possible risks, fiscal federalism scholars argued that the distribution of income and welfare function should be assigned to central and regional governments, while simultaneously placing a great

premium on equalization grants. On the other hand, it has been argued that as the central government is constrained by political reasons to treat all jurisdictions equally, it will choose equity over a more efficient distribution of outputs based on Pareto-efficiency patterns (Oates, 2006).

1.2.3 Accountability

Owing to proximity of citizens and local governments, the literature in this field argues that decentralization of public services induces a closer monitoring and oversight of citizens over local government's actions and thus increases accountability. This in turn is expected to materialize in better public service provision. A breakdown in any of the long or short routes of accountability can lead to worse public services outcomes (Shah et. al., 2004). Decentralization is expected to stem corruption, for by virtue of the same accountability principle, local elites will adhere to accepted integrity standards (Azfar et al., 1999). Nevertheless, while this is perfectly logical in principle, Shah et al. (2004) argue that accountability might not be enhanced in decentralized systems due to limited transparency, shortage of information, low civic and political engagement, elite collusion and high electorate polarization on ethnic or racial basis, conditions that are often met in developing countries (ibid).

Similarly, the defenders of decentralization underline the political benefits of devolving powers to sub-national governments, as decentralization is understood as being compatible with democratic systems that facilitate political competition among local governments, integration of minority groups, transparency and other due processes (Thiessen, 2001). While strengthening sub-national government's powers, decentralization can also lead to state capture by local stakeholders who can influence the decision-making through pecuniary or non-pecuniary means, as a way to compensate for the shortcomings of the regulatory and administrative framework (Shah et al., 2004).

Whether decentralization is conducive to increased efficiency and accountability while ensuring equal access to public education services will be further discussed based on the empirical evidence presented in various relevant studies.

1.3 Educational Decentralization: Empirical Evidence

The arguments for decentralizing education in developing countries are generally rooted in the belief that it will lead to increased efficiency, accountability and transparency in service provision, better response to local preferences, lower costs, enhance inclusion and consequently increase coverage and quality of education services (Rado, 2010; McLean and King, 1999). The existing literature expatiates on causal links between educational decentralization to local government and school level and various educational outcomes. However, the following sections will look only at those aspects related to efficiency, equity and accountability as identified most relevant for this research. Most of the existing evidence is country limited and often contradictory therefore making it difficult to draw generalized conclusions. Nevertheless, this assessment is important as it points at potential risks and successes of educational decentralization.

1.3.1 Efficiency

Improving efficiency in the education sector is one of the key arguments brought up in support for decentralization reforms. Efficiency is a broad concept thus difficult to operationalize. However in this study, efficiency will be considered in terms of financial resource allocation, dropout rates, and student performance as a measure of education quality.

Various cross-countries studies confirm that fiscal decentralization to sub-national government level alters the composition of public expenditures favoring increased expenditures for education particularly in developing countries. However, whether this increase in expenditures is synonym to increased allocative efficiency it is not clear (Azar del Granado et al., 2005). Literature to prove this fact is scarce and often contradictory or inconclusive. Few studies however emphasize that decentralization was conducive to more effective use of financial resources in some countries like El Salvador, Nicaragua or Bulgaria (Santibanez, 2006; Danchev and Ivanov, 2009).

In CEE countries, when assessing internal efficiency, *teacher/student ratios* and *class sizes* are often factored in. In countries like Czech Republic and Slovakia where the central government is responsible for paying teacher salaries, the overall number of teachers increased, while it decreased in countries where local governments are responsible for financial and managerial tasks (Bischoff, 2009).

The empirical evidence supports the argument that under larger school based-management *conditions dropout, repetition and failure rates decrease*, although the degree of this effect varies from country to country (Santibanez, 2006). Drawing this conclusion from the results of comprehensive studies conducted mainly in Central Latin America, Santibanez (2006) argues that these effects can be explained by factors like increased parental involvement in school activities and homework, the education level of teachers and local government capacity to support school-based management systems.

A large body of literature in this field tries to link decentralization and students *performance outcomes* in various international tests as a measure of decentralization effectiveness, but also quality of educational. The results of various studies conducted in the 1990's were contradictory pointing at other factors that have a stronger impact on learning outcomes (Fiske, 1996). In developing

countries, school based management reforms proved to have mixed effects on students' performance outcomes (Santibanes, 2006). In developed countries, Falsh and Fish (2010) argue that public sector spending decentralization favors higher students learning outcomes, but less with the decreasing size of public sector. In a cross country study based on PISA results Woessman and Fuchs (2004) concluded that along with student characteristics, family background and input, teachers' qualification, certain institutional aspects can also impact students' performance. Thus, controlling for other factors, students' performance is higher when curriculum, overall school budget and exit examinations are set up by the central government, while schools have autonomy on within school budget allocations, selecting textbooks and the teaching staff.

1.3.2 Equity

One of the main perils of decentralization in education is that it can exacerbate *inequalities*. The equity aspect decentralization is most often analyzed in terms of equal access to education services by various vulnerable groups, equal level of financing and student performance outcomes.

The financing mechanism can raise equity concerns, depending on the specific details taken into consideration and applied when calculating intergovernmental transfers for education (Bischoff, 2009). In line with this argument, stronger decentralized systems to local government and school level are considered to be conducive to larger inequalities in financing across jurisdictions and schools usually biased against poor communities (Davey, 2002; Zhou et al., 2004). However, the decentralization experience to sub-national levels in Argentina (Fiske, 1996; Zhou et al., 2004) or Visegrad countries (Davey, 2002) proved to result in a more even level and transparent geographical distribution of public funds.

On the other hand, in the systems that allow for larger school autonomy and particularly school choice the segregation on social-economic factors (e.g. Israel particularly due to larger financial contributions from parents with higher incomes) (Nir and Miran, 2006) or ethnicity basis is more salient. With one of the most decentralized educational system in Europe, Hungary stands out in this regard among the OECD countries. It is also one of the countries where parent's economic background has one of the largest influences on students' learning performance outcomes (OECD, 2005). Further on, although some studies point at increased dropout rates among the poor (i.e. Burkina Faso) (Fiske, 1996), more studies prove a positive impact of school based management reforms on expanding the education services outreach. Most successful examples are usually drawn from Central Latin America where the enrollment rates in rural areas increased significantly in two-four years in countries like El Salvador, Honduras or Guatemala (di Gropello, 2006 cited in Santibanez, 2006) after the school-based management was introduced.

Studies on the impact of educational decentralization and equity of students' performance outcomes show ambivalent effects. While often conducive to enhanced overall student performance, decentralization management tasks to school level risks to result in lower learning outcomes among students from poor areas (i.e. Hungary or Argentina) (Galliani et al., 2005; OECD, 2005) or even from small schools as it is the case in Bulgaria (WB, 2010). However, the relationship between decentralization and student performance outcomes is rather spurious and is subject to influence from other factors ranging from the quality of teaching to the endowment with technical equipment of the schools (Galliani et al., 2005).

1.3.3 Accountability and Participation

Empirical evidence shows that parents' involvement in school management related issues after the introduction of school-based management reforms in developing countries has increased

but not tremendously, contrary to the expectations. In Bulgaria, despite enhanced school autonomy over budgetary and financial matters, the level of parents' participation has not increased significantly. This is due to several factors: parents' limited interest and lack of mechanism to influence budgetary and management decisions of the school; but also restricted access to school performance information to their own child's school only, which does not enable parents to make cross school comparisons and thus keep the principals accountable for learning outcomes (WB, 2010). Likewise, school-based reforms in Latin America and in some Asian countries were followed by modest increase in parents' participation (Santibanez, 2006).

The main conclusion that can be drawn from this assessment is that the success of educational decentralization depends on contextual factors. As presented above, the existing empirical evidence on educational decentralization is scattered and often contradictory. While there seems to be more agreement on the positive effects of decentralization to the school level on dropout rates and slightly increased parental involvement in developing countries, larger school autonomy and parental choice can exacerbate segregation based on income levels or ethnic basis. Under certain conditions, decentralized educational settings could positively impact students' learning outcomes; however other factors like the qualification of teachers or parental involvement still have a significant impact on this indicator.

CHAPTER II: METHODOLOGY

In order to conduct this research, the framework proposed in the 2011 Decentralization Strategy Draft of Moldova will be used. It tackles five main systemic aspects that the decentralization process will touch upon in Moldova and can generally be considered in all public service areas. These are the distribution of administrative and financial competences among various government tiers, patrimony, administrative and institutional capacity, as well as democratic participation, which will be further analyzed in this thesis focusing on efficiency, equity and accountability issues. This study will not include the self-proclaimed Moldovan Transnistrean Republic as different education policies apply for this region that are not subject to control from the Moldovan government. Due to space limitations, the Gagauz Yeri Autonomous Territorial Unit will also not be covered in this study, as by virtue of its autonomous status a set of specific regulations apply for this unit. Likewise, the regulations regarding Chisinau and Balti Municipalities' relations and their subordinated local educational entities will not be covered in this study.²

This research will be mainly based on primary sources, such as policy documents, laws and regulations, statistical data issued by the Moldovan authorities and data collected through interviews, as well as secondary sources. In this regard academic journal articles, books, newspaper articles as well as reports and policy papers issued by various international organizations like the WB, IMF, OECD and UNICEF will be used.

This research is essentially based on qualitative research methods. It involved desk research for analyzing primary and secondary sources, but also field research. In order to allow for a more

² The 1995 attributes similar responsibilities to RED and Chisinau and Balti Municipality Education Directorates, hence they will be treated similarly in this study.

comprehensive analysis, semi-structured interviews with public servants and experts were conducted. The interviews served as a propitious occasion to collect firsthand information on the recent developments in this field and to assess main stakeholder's understanding of educational decentralization in Moldova. The selection of the interviewees was made based on their degree of involvement and relevance for education decentralization process. Time and financial constraints for traveling more outside the capital city impeded the author to interview a larger number of LG representatives. Hence, in this study the opinions expressed by CALM, an organization created and speaking for over one third of the LGs, will be considered as a representative voice of LGs. Two heads of Regional Education Directors (RED) were also interviewed. These two RED were relevant for this study as in these two localities the school-network optimization and school autonomy reforms will be implemented starting next year. For a representative analysis of the demand side of the issue, surveys conducted among parents and school directors were used.

CHAPER III: DECENTRALIZATION AND THE EDUCATION SECTOR IN MOLDOVA

As previously mentioned, an optimal institutional arrangement is the bedrock of an efficient public service provision. This chapter will analyze the institutional design in the education sector in Moldova from a decentralization perspective. In order to answer the research question of this study, the main aspects of the decentralization process identified in the Decentralization Strategy Draft developed by the Moldovan Government will be analyzed as appropriate for the compulsory education sector emphasizing the main efficiency, equity and accountability related issues.

3.1 Moldovan Education System and Decentralization: Short Overview

Since it become independent in 1991 the Republic of Moldova set off to redesign its public administration system departing from the strongly centralized system inherited from the former Soviet Union toward a democratic and decentralized public administration system based on constitutional self-governance principle re-confirmed by the ratification of the European Chart of Local Self-Governance in 1997. The territorial administrative reorganization and decentralization reform experimented between 1998 and 2003³ granted larger educational responsibilities to local and regional governments, the first being responsible for the primary education, and the second for the secondary education (Popa, 2006), whereas the financing duties were transferred to sub-national governments through non-conditional grants (Ionita, 2009). Nevertheless, the 2003 recentralization reform annulled all previous changes resetting the public administrative system to its prior 1998

³ the number of second level governments was reduced from 40 *rayons* to 9 *judets*, whereas the number of first level LG was reduced from 942 to 644

reform arrangement. A new decentralization attempt followed in 2006 but it remained largely inconclusive (ibid). All these shifts resulted in an intertwined and confusing assignment of competences between different government layers which favors intergovernmental tensions and affects their efficiency.

The breakdown from the Communist past also impelled the reformation of the education system and modernization of the curriculum according to European standards. Compulsory education comprises nine years of schooling (see Annex 1). All these changes were introduced through the 1995 Education Law that due to its imperfections was amended over thirty times. Despite several attempts to replace the existing Education Law, none of the proposed bills were adopted yet (IPP, 2010). School autonomy, albeit envisioned in many education development policy documents, has never been enforced. Moreover, school autonomy over curriculum has also been significantly restricted, as the share of elective classes in the gymnasium curriculum shrunk from 14.7% in 2002 to 4.4% in 2009 (ibid). Given the situation described above, the 2011 decentralization initiative announced significant systemic changes in the education sector making this assessment timely and pertinent.

3.2. Education Decentralization as Part of the Broad Decentralization Initiative

3.2.1. Competence Assignment

Efficiency and Accountability

Public education is a complex public service that cannot be considered as a function assigned to a single government level, but rather as a set of complementary competencies distributed among different government tiers (Ebel and Vaillancourt, 2007). As Shah et al. (2004) argued

efficiency of public services provision can be endangered by an unclear assignment of competencies. Indeed, the misalignment competences and unfunded mandates are the main problems identified in the Decentralization Draft Strategy (2011). Generally, the main responsibilities are shared between the Ministry of Education as policy designer, monitor and controller and the Regional and Municipal Education Directorates (RED) (second LG tier) responsible for education policy implementation, supervision and evaluation at the local level; whereas the local governments of cities and communes (first LG tier) are entitled with few administrative and financial obligations (EL, 1995; LLAL, 2006) (Table 1). The confusion regarding the responsibilities of different government layers creates puzzlement and occasions for tensions regarding the ownership of public education services to central or local level. While guaranteed by Constitutional provisions, the 2006 Law on Administrative Decentralization does not bring clarity with regard to the nature of this function as deconcentrated or delegated. More specifically, the head of the RED is selected through an open competition and employed by the RG (elected bodies) but has to be approved and is held accountable by the Ministry too (2006 LLAL; 1995 EL; Furdui and Chivriga, 2009). In cases of conflicts, it is the Ministry who has the final say over those nominations (Crudu, 2011). While this intromission runs counter the principle of local autonomy (Furdui and Chivriga, 2009), Herczynski et al. (2009) emphasize that this procedure allowing for vertical control is a remnant of the former soviet arrangement. While generally espousing the education decentralization principle, central public administration representatives would prefer it to take the form of de-concentrated service, arguing that direct control is needed to ensure education quality, control against potential government failures due to low administrative capacity and elite capture at local level (conclusion drawn from the interviews with Crudu, Munteanu and Cojocaru, 2011). However, it failed to justify why the legal leverages provided for monitoring and controlling are less efficient in ensuring administrative and professional performance compared to the direct and nominal supervision of the

local public servants. On the other hand, the LG, without taking a clear position for de-concentrated or delegated educational service, tend to treat education related responsibilities as delegated, not own functions, complaining against unfunded mandates (CALM, 2010). The 2010 Education Draft Law reduces the role of the Ministry in appointing the heads of RED. However, the difference between this official position expressed in the draft law and the nonofficial position of the CG as expressed by the interviewees could signal against potential future tensions.

Further on (Table 1) most decisions require the involvement of all or at least two levels of government. For instance, the decision to open, reorganize or close the school can be initiated by the local governments, but has to be approved by the RED and finally endorsed by the Ministry. While in this case sharing responsibilities can be justified by externalities concerns (Ebel and Vaillancourt, 2007), in other cases it can have negative implications. For instance, the school principle is hold accountable directly by the RED.⁴ Moreover, even the selection of teaching staff by the school management can involve RED. While over-bureaucratizing and procrastinating the decision making process, this kind of shared assignment breaks the accountability link between the LG, local community and the school. It also diffuses the responsibilities across all government tiers without indicating the ultimate responsible body. The low level of transparency also seriously imperils the development of genuine accountability based relationships at local level (Herczynski et al., 2009).

⁴ The Ministry of Education selects/dismisses the directors for lyceums and other upper secondary schools. The 2010 EDL cancels this procedure.

Table 1. Competence Assignment Evaluation

Expanded on Ebel and Vaillancourt (2007:84-86). Assignment of management tasks according to 1995 Education Law
Financial management task are discussed in the following section of this chapter.

Decision Category	Function	Principle	Lead/Joint Responsibility	Comments
PLANNING AND STRUCTURE	Opening/reorganizing/closing schools	Efficiency	LG/RG/CG	LG can propose, while RG decide on opening, reorganizing or closing a school. RG have also to be approved by CG. It is not clear according to which criteria CG can disapprove RG decision.
	Curriculum and content	Efficiency	CG, RG, School	In line with efficiency and quality principles. Schools can also use alternative education plans and text books as long as they meet the established standards. RG have a supportive role in this process.
	Integrating boys, girls, vulnerable groups	Efficiency, Equity	LG/RG	Congruent with efficiency and equity principles. Central government establishes general policy guidelines, while both LG and RG are responsible for ensuring schooling of all children up until 16 years old
	Setting graduation standards	Efficiency	CG	Complies with efficiency principle
PERSONNEL MANAGEMENT	Hiring/Firing School Principal	Efficiency, Accountability	RG, LG	School Directors are appointed and accountable to RED only. Justified from a professional efficiency viewpoint, but weakens the accountability link between local community and the school.
	Hiring/Firing Teaching staff	Efficiency, Accountability	School, RG	Over-bureaucratic procedure of selecting teaching staff. Cooperation justified only for state run projects of assigning young teachers to rural areas
	Hiring/Firing non-teaching staff	Efficiency	School	Consistent with the school autonomy principle
	Fixing teachers salary scales	Efficiency, Equity	CG	Ensure equal level of payment for the same amount of work of teachers of the same qualification level across the country, thus preventing outmigration of teachers from rural areas
	Credentialing, evaluation, teachers'	Efficiency	CG, RG	Credentialing and evaluation of teachers ensured by the CG, while RG performs school inspection. Justified by the imperative to ensure a minimum teaching quality standard across the country. The independent National Evaluation and

	training, inspection			Examination Agency was recently created, however its role is limited to issuing examination tests and supervising the examination process at the national level (GOM, 2010)
ORGANIZATION OF INSTRUCTION	Which school shall the children attend	Efficiency	Parents	Children are assigned to the schools closest to their jurisdiction. However, parents are allowed to choose the school and teaching language-consistent with the school choice principle.
	Instruction time, student grouping, grading system	Efficiency	CG, School	Class size standards, minimum mandatory hours per subject clearly stipulated in the 1995 EL-justified to be decided by CG as these elements count in the financing formula. Other details decided at the school level.
	Choice of textbooks	Efficiency	CG, School	Contest based selection of text books organized by the CG; however the schools are given the flexibility to choose alternative textbooks that meet centrally established standards. Given the small size of the country, CG's involvement is justified by cost-efficiency reasons for printing text-books.
	Teaching methods	Efficiency	School, Teachers	Consistent with school autonomy principle. Allows for innovation and creativity in teaching
	Students' performance assessment	Efficiency	School, RG, CG, RG	The school has the autonomy to choose students' evaluation formats. School exit examinations are organized by the RG, under the supervision of the CG. In line with Woessman and Fuchs's (2004) findings on efficient institutional setting for enhancing students' learning performance

3.2.2 Financial Decentralization

Public education is the most expensive social service provided by the Moldovan government accounting for 9.5% of the country's GDP, almost twice more than in other Central Eastern European countries. Although the compulsory education sector receives the “lion's share” of over a half of this money (IMF, 2010; MDG, 2010), it suffers from financial shortages. At the same time, although wage payrolls amount to about 70% of school budgets,⁵ teachers wages are slightly above the national average wage (BNS, 2010) making the teaching profession less and less attractive. Hence, this section will analyze the financing aspect of the education system, focusing on the assignment of financial competences, local fiscal capacity and the allocation of financial means in terms of efficiency, equity and accountability.

Efficiency

The main financial competences are shared by the Ministry of Finance and the RED. The Ministry calculates the expenditure needs of a rayon (county) using historical standards⁶ and the number of users (students) (Munteanu et al., 2008); and subsequently transfers the total amount to the RG to be used according to a set of minute regulations (Herczynski et al., 2009a). Equalization mechanisms are also put in place to cover the fiscal gaps. The new formula that is currently piloted

⁵ The rest of school budget is spend primarily on heating services and school maintenance (Munteanu et al, 2008)

⁶ Calculated using previous year data adjusted to inflation. It includes school administration costs and teachers' salaries, while meals, capital expenditure, examination costs are calculated separately (Munteanu et al., 2008).

as part of a WB supported project, based on per-capita principle includes new adjustment standards is expected to lead to a more efficient allocation of resources⁷ (ibid).

The central government uses the Medium Term Performance Measurement Framework for budgeting planning, whereas sub-national governments still use line budgets generally disregarding performance budgeting (planning and reporting). Nevertheless, at the sub-national level it is the regional governments that exhibit more advanced budget planning capacity (Herczynski et al., 2009). Many of them apply own standards to redistribute the funds to local governments and ultimately approve the school budgets allocated at the local level. Under soft budget constraints, this arrangement favors tight political negotiations between school directors, local and regional governments for school funds (Munteanu et al., 2008).

Local governments are assigned to cover expenditures for school maintenance, repairs and extracurricular activities, and currently conduct all financial management tasks for schools (accounting, public procurement, etc.) Since education at the local level is treated as a central responsibility delegated to sub-national governments some additional expenditure responsibilities transferred to them (social allowances for teachers, school transportation) are treated as unfunded mandates (CALM, 2010). Due to limited fiscal autonomy, locally collected revenues are meager; hence local budgets are very poor and heavily dependent on central transfers that can amount up to 70% of the local budgets (EG, 2010).⁸ On average, LG spend up to 70% of their budgets for education, small rural LG spend even more. Hence, for most of the rural LG the education budget is practically their budget. Since the largest share of these funds is spent on salaries, LG have little

⁷ The 2010 Education Draft Law also envisages four new financing components without specifying the government tier responsible for each of them, hence it is not very clear how the new law would change the financing mechanism

⁸ Chisinau and Balti Municipalities are not included here. In general, they are relatively rich outliers that contribute to the equalization fund.

flexibility for maneuver (Munteanu et al., 2008). Hence most of the public funds for education simply pass through the local budget according to their destination decided at upper levels.

The chronicle shortage of financial resources has forced a new form of *revenue pooling*, shifting the financial burden for some school expenditures to parents (renovation, heating, school events, in some cases even for teachers' salaries) (Ionita, 2009). While some expenditures are officially and fully covered by parents (text books for secondary schools) others are informal (tutorials, gifts for teachers, etc) (IPP, 2008) which offers many opportunities for corruption. An IPP study (2008) remarks that informal payments in 2006-2007 equaled 13.3% of the state allocations for the same academic year.

The shortage of financial means is however mainly caused by structural problems that hamper the *allocative efficiency* of available resources. More specifically, the decaying school infrastructure triggers a domino effect leading to highly inefficient use of financial resources. Due to decreasing demographic trends and rapid outmigration, only from 1998-2008 the school-age population dropped by 25% causing many schools to use 50% and less of their infrastructure capacity (Munteanu et al., 2008). Consequently, the general teacher/pupil ratio dropped to 1/13, considerably below the OECD average of 1/22 (OECD, 2010; IMF, 2010), the lowest rate being registered in secondary education (9/1) (BNS, 2010). The class sizes are regulated by law, but vary significantly in urban and rural areas (in 75% of rural primary schools there are ten or fewer pupils per class) (GOM, 2010; Ionita, 2009). As a desperate solution to these problems simultaneous teaching for students from different grades was allowed in rural primary classes, which endangers the quality of teaching (Ionita, 2009). Anecdotal evidence suggests the fact that similar often unofficial groupings occur also in higher grades (Grimalschi, 2011).

These facts have tremendous repercussions on financing education. Apart from the wasted resources, the oversized school network requires high costs for maintaining a large school staff body. According to IMF (2010), the education system is overstaffed accounting for over half of total governmental wage expenditures. Since teachers' salaries are calculated according to the number of classes taught, the decreasing teacher/student ratio also inflates the overall teachers' salary bill covered from the education budgets. Similarly, the extremely large teaching/non-teaching staff ratio (37% compared to European average of 27%) imposes unaffordable burdens on the education budget (*ibid*).

Under the pressure of these debilitating effects, the Government is currently implementing a school network optimization project with the support of the WB⁹. It also engaged to revise other expenditure categories (social protection costs in education, etc) and reduce teaching and non-teaching staff, which are expected to save up to 0.5% of GDP from 2013, conditioned by effective implementation of the reforms (GOM, 2011).

Equity

The centrally established wage scale (1995 EL, Art. 40e) is necessary to ensure equal remuneration for a certain amount of work and teaching quality across jurisdiction, hence preventing teachers' outmigration from rural and poor areas. However, setting payments according to the number of classes taught and disregarding the student-pupils ratio puts at disadvantage teachers activating in schools with larger class sizes. This mechanism can also have perverse effects by incentivizing LG to fragmentize class to attract more revenues (Herczynski et al., 2009).

⁹ The project envisages closing down of small and inefficient schools, providing transportation for student to the closes neighboring schools, as well as a new mechanism for school financing.

On the other hand, equal distribution of financial resources can be obstructed by political negotiations, low level of own revenues at local level that lead to uneven level of investment in school activities and infrastructure.

3.2.3 Patrimony and Local Development

Efficiency

The legislation does not define the school founder but interprets ownership as authority over the school building and facilities. Ownership of school buildings was decentralized to LG, but their authority over their utilization is rather limited. Authority over school buildings is assigned according to the source of financing, the regional or local budget (1995 EL, Art.40; Herczynski et al., 2009), but the use of school facilities for activities other than educational is forbidden (1995, EL, Art.62.5) thus hampering a more efficient use of these resources.

Given the limited decision-making power, it is no wonder that most of the LG lack an own vision for developing and consolidating the education sector. Most of the Local Economic Development Strategies are outdated (UNDP, 2010), and make little reference to the education sector. Whenever objectives relevant for general compulsory education sector are stipulated they are usually output oriented (i.e. upgrading school buildings, etc.).

3.2.4 Administrative and Institutional Capacity

Efficiency

As argued in the first chapter, the low level or lack of administrative capacity at local level is one of the main counterarguments against decentralizing public service provision. Congruent with

this statement, the Draft Strategy emphasizes that most LGs lack administrative capacity to provide basic public services and thus have mostly a representative role. Driven by financial constraints, the CG provides financial coverage for a limited number of staff. Hence, many LG are very small or understaffed (DS, 2011). This situation is however explained by the faulty territorial administrative arrangement in the country. Along with Hungary, Moldova hosts one of the most fragmented structures in Europe with over 902 territorial administrative units, 93% of which are rural (EG, 2010). Moreover, 27% of them resisted the pressure for territorial consolidation and have a population below the minimum threshold of 1500 inhabitants; thus only about 10% of RG and much fewer LG have an optimum level of administrative capacity (UNDP, 2010). Apart from boosting general public service expenditures this extremely fragmented design affects sub-national governments' growth potential and competitiveness (IMF, 2010). Further on, the largest sub-national governments usually have higher technical efficiency in using the local budgets. Those are usually the governments that under the previous administrative organizations were among the 9 *judets* (RG) and managed to accumulate stronger public and private capital to develop their economic and capital infrastructure (EG, 2011). Given the above mentioned conditions, the lack of professionally qualified public servants, poor human resource management, nepotism and other due phenomena are hardly surprising.

The education system on the other hand faces similar challenges, an oversized and maturing teaching staff (IPP, 2009) and too large school network. As mentioned above, the school network is currently subject to reformation. After being piloted in two counties, the optimization process will cover the entire country by 2013 (Crudu, 2011).

However, from an educational decentralization perspective this project is relevant for it endows schools with institutional autonomy and transforms them into budgetary users, hence

deepening educational decentralization to the school level. Schools become corporate persons with own bank account, the right to manage school property and make public procurements. The school director is empowered with authority over budget planning and execution, duties previously executed by the LG (Cojocaru, 2011). Hence, the small LG will lose many of their management tasks. The school budget will be subject to approval by LG and RG, but it will be primarily designed by the school management (Tverdohlev, 2011; Lungu, 2011). In this context, the managerial skills of the school director become instrumental for ensuring efficiency in using the available resources.

3.2.5 Equity and Democratic Participation

Equity

The overall net enrolment rate in compulsory education registered steady drops from 95.1% in 2002 to 90.7% in 2009, whereas for the lower secondary education it is even lower (88.8% in 2009). The gross enrolment rate has also decreased to 90.7% in 2009, despite constant growth before 2002, however without necessarily indicating unequal access to education of various social groups (MDG, 2010). However, due to high poverty rates that often forces children into premature labor force, school dropout among children from poor rural and labor migrants' families, Roma children and boys in the secondary education is slightly more prevalent (MDG, 2010; IPP, 2010).

Participation and Accountability

Under the current settings, parents do not have leverages for influencing education policies, but can participate in school governance as members of parents' representative bodies (School

Administration Council¹⁰, Parents Committees and parental organizations). The school directors and parents admit that parents, despite the rather high level of involvement and attendance at school meetings, have some or little influence on the decisions made at the school level, but more on the class related decisions (Pop et al., 2009; IMAS et al., 2009). In this context, parents' participation and the role of the parents committee is perceived by parents as limited to collecting financial resources for school related expenditures over which they have little information and control (IMAS et al., 2009). Moreover the informal payments enhance parents' perception of corruption and discrimination against children from poorer families (IMAS, 2009; IPP, 2008).

As mentioned above, the school autonomy reform strengthens the decision-making power of the school directors, but it does not necessarily create proper accountability leverages. The 2010 EDL does not grant larger decision-making powers to School Administrative Councils preserving their current consultative role. According to Mr. Cojocaru, one of the authors of the 2010 EDL, the Council will be granted more specific responsibilities after the draft law is adopted through secondary regulations, but it will remain a consultative body. The recently introduced open competition procedures for selecting the school principals allow a restricted number of parents to participate in the selection process. However, parents do not have a say over dismissing the principal (Tverdohle, 2011). Hence, albeit parents' participation is encouraged and facilitated, the community and school clients' (the parents) leverages for holding the school management accountable are still weak.

¹⁰ a representative body of the parents, local business elite, representatives of LG and the mayor, teachers and students at the high-school level

In conclusion it can be stated that congruent with this thesis's hypothesis, the main aspects subject for consideration for the decentralization process in the field of compulsory education are redefining the administrative competences between different government tiers, as well as strengthening administrative and financial capacity at sub-national levels. It has also been established that decentralization to the school level is already in process being anticipated by a necessary school optimization reform. Despite parents' intense participation in school management matters (a solid ground for successful school autonomy), the local accountability leverages are still weak. The solutions for a more efficient use of public funds (improved financing mechanism, teaching and non-teaching staff reduction, etc.) have also been identified but they are contingent on CG's ability to implement them amid a highly unstable political environment. In light of these outcomes, the ensuing chapter discusses some relevant policy implications.

CHAPTER IV: POLICY IMPLICATIONS

As presented in the previous chapter, unclear responsibility assignment and weak administrative capacity at sub-national level are the main problems that could obstruct the decentralization process in the education sector. Hence, this chapter discusses policy options to be considered by policy makers.

The policy options provided below focuses on the distribution of competences between CG, RG and school managers as the main actors performing educational administrative and financial tasks. As mentioned in the previous chapter, the decentralization to the school level has already started in Moldova by transforming the schools into separate budget users.¹¹ Hence, the financial management tasks will be transferred to the school management level, absolving LG of their current, albeit very limited financial management tasks. LG will take part in all school administrative and financial decisions and contribute financially to some expenditure categories (school maintenance, extracurricular activities), but from the perspective of administrative competence assignment are less relevant. On the other hand, at local level, the RED are the only bodies that have the capacity and experience to perform the educational administrative and financial tasks (Herczynski et al., 2009). Their current status is also the one that induces most of the confusions regarding the distribution of intergovernmental educational management tasks. Hence, the CG, RG and the school management will further be considered as the main actors pertinent to perform educational management tasks. Further on, policy options regarding the distribution of competences between the central and

¹¹ School budgets will be designed at the school level, but included in the local budget as per LG and RG's approval (Cojocaru, 2011)

regional government will be discussed, as well as policy implications deriving from the school based management reform that is currently rolled out.

According to the 2006 Law on Administrative Decentralization, public services could either be de-concentrate or delegated to sub-national governments. Hence, the two scenarios for the distribution of competences between CG and RG are further analyzed (see also Table 2).

4.1 First Option: Delegated Competences

Should education be delegated it would first require the clarification of RED statute. Hence, RED should become bodies subordinated to RG who also appoint the head of RED without CG's subsequent approval. Consequently, the education policy implementation, monitoring and supervision tasks could be delegated by law to the RED accompanied by specific regulations and standards to be respected. By virtue of the decentralization principles stipulated in the 2011 DS, patrimony is assigned to the level of government that is performing the respective functions; hence the authority to decide over school network optimization matters would also be attributed to RED (in general terms, the set of competences currently performed the RED would not change significantly). The advantage of these setting is that it grants the Ministry the flexibility to withdraw or redefine the delegated functions if it considers necessary (Herczynski et al., 2009). At the same time, while preserving CG's possibility to control the delegated mandates, it endows RED with discretion and flexibility to implement education policies at the local level. Moreover, this rearrangement of competences would only clarify and legally acknowledge the current de facto intergovernmental assignment distribution (Herczynski et. al., 2009; Munteanu et al., 2008). On the other hand, Herczynski et al. (2009a) argue that delegated financial management tasks, and delegated educational budgets (that offer some degree of flexibility over the use of public funds) can

contribute to strengthening RG's financial management capacities. At the same time, in this case the CG will have to develop strong audit and administrative and financial performance supervision mechanisms.

4.2 Second Option: De-concentration

Transforming education into de-concentrated services will necessitate several rather drastic changes. Firstly, it would require the transformation of current RED into entities directly and exclusively subordinated to the Ministry. The number of regional de-concentrated bodies could be reduced to about ten and subsequently reorganized following the structure of the agencies for other de-concentrated services (CG's representative in the regions). This is also the scenario put forward for discussions by CALM (CALM, 2011). In this case, education would become a state (CG) provided service, while the state will keep all education policy making, implementation and supervision attributions (the later three to be performed by the regional deconcentrated bodies strictly following CG decisions). School infrastructure would also become state ownership. The *benefits* of this arrangement is that it will allow for direct vertical professional control that can be fully ensured by the Ministry of Education and eventually protect against potential elite capture at local level (Crudu, 2011; Lungu, 2011).

On the other hand, this redesign bears some *risks and downsides*. First, due to the fact that in the current setting many of the education competences are already assigned to sub-national governments, de-concentration would involve re-centralization of decision-making and policy implementation authority. However, re-centralization *per se* is not envisaged in the public administration related legislation (Herczynski et al., 2009) as it infringes the constitutional principle of local autonomy.

Nevertheless, if opted for, de-concentration would envision some radical decisions, like painful layoffs of current RED staff. Also, it might meet political opposition from the RG who will lose their current competences and authority, albeit rather limited, over compulsory education services and budget (Herczynski et. al., 2009). Further on, it will require closing down or redefining education bodies at the regional (rayon) level most probably with reduced responsibilities. This reform would also involve significantly high costs, many difficult political decisions and time (ibid). On the other hand, the regional education deconcentrated bodies will have to be well equipped with professional staff to be able to ensure quality education services for larger benefit areas, population and number of school that the current RED do. Hence, it will involve increased administrative costs and boost the size of the CG, thus infringing Moldova's commitments toward the international donors and institutions to keep the size of central public administration limited (GOM, 2011). At the same time, the downside of this option is that it increases the distance between the decision-makers and the clients (parents, student, and local community), thus weakens accountability.

4.3 School Based Management: Policy Implications

The shift of financial management competences to the school management level triggers some policy implication to be considered by policy makers. In this context, school directors' financial management skills will become instrumental in ensuring efficient utilization of education funds. In the short and medium term, the low level or lack of financial management skills of school principals (who primarily have a pedagogical background) (Munteanu et al., 2008) might be hampered. Principals' clumsiness in dealing with financial management issues was one of the problems encountered by the school directors participating in the first phase of this project, despite undergoing financial training provided by the WB project (Cojocaru, 2011). In the long term,

however this kind of training programs will have to be developed and incorporated into the cyclical professional training programs for the didactic staff, as well as into the curriculum of the pedagogical universities.

Further on, in the current setting the professional accountability link between the school directors and RED/CG are particularly strong. Learning from the experience of Western and Eastern European countries with longer school autonomy history, who are lately placing a larger focus on central government education quality control and monitoring mechanisms (Eurydice, 2009), this thesis argues that the professional accountability link between school principals and RG/CG should not be loosened but kept strong as a counter balance for the decentralization of responsibilities to the school level.

Nevertheless, the focus now should be placed on strengthening parents' leverages for holding the school management accountable for their performance. This is particularly important since the parents' participation mechanisms are already in place while their involvement in school management issues through financial contributions, has increased to significant levels. In these conditions, granting parents a larger say in school administrative and financial decisions becomes compelling.

On the other hand, the participation mechanisms could be put at risk by the outmigration of parent in search for stable income sources (currently about 25% school children have at least one parent working abroad (Pop et al., 2009). Nevertheless those parents' involvement did not necessarily decrease and it is usually mediated through child's local tutors. On the other hand, efficient accountability relations can be enforced only in the conditions of transparency and availability of reliable data (WB, 2007).

Hence, given the arguments presented in this chapter, the first option, delegation of education functions to the RG/RED is recommended as the best option, as its' benefits and advantages outweighs the benefits of the second option (de-concentration) while involving less risks and side-effects.

Table 2. Competence Assignment Policy Options Evaluation

		Assignment of Competences at RG level		Transfer of school administrative and financial management tasks to school level
		Option 1: Delegation	Option 2: De-concentration	
EFFICIENCY	Advantages	<ul style="list-style-type: none"> Flexibility – delegated functions can be withdrawn Contributes to the development of budgeting planning and executing skills at local level (for RG) Full financial coverage from state funds 	<ul style="list-style-type: none"> Direct vertical professional control Protect against potential elite and political capture at local level 	<ul style="list-style-type: none"> Strengthens school institutional autonomy Improve allocative efficiency of available resources (confirmed by the preliminary results of the pilot projects in the two Moldovan counties) (Crudu, 2011) Brings decision-making closer to local community and parents Allows larger inclusion of parents in school management matters
	Problems/Risks	<ul style="list-style-type: none"> Nomination of heads of RED on political considerations Weak administrative capacity at the local level 	<ul style="list-style-type: none"> Can face strong political opposition from the RG Requires redefinition of RG's roles in the education sector High administrative costs for the reform Substantial increase in the Ministry staff hence infringe Moldova's commitments to IMF (GOM, 2011) and other international institutions De-concentration envisages re-centralization, which is not envisaged in the law on administrative decentralization, and runs counter the constitutional autonomy principle Large layoffs of current RED staff 	<ul style="list-style-type: none"> School Directors' weak financial management skills Increased administrative costs for additional personnel

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		Assignment of Competences at RG level		Transfer of school administrative and financial management tasks to school level
		Option 1: Delegation	Option 2: De-concentration	
EFFICIENCY	Recommendations	<ul style="list-style-type: none"> Monitoring required against budgetary indiscipline Coordinate with overall decentralization initiative required Coordination with fiscal decentralization required Strengthening CG's capacity for policy monitoring and evaluation 	<ul style="list-style-type: none"> Improve administrative capacity of an extended administrative system Coordination with overall decentralization initiative required Coordination with fiscal decentralization reform required 	<ul style="list-style-type: none"> Joint logistics for some services like accounting, financial assistance, legal advice (in localities with several schools) Financial management, education institutional management training (short-medium term) Financial and education institutional management training included in the university curriculum (long term) Introduction of Result Based Management Improve audit
EQUITY	Advantages	<ul style="list-style-type: none"> Delegated tasks have to be executed within the framework of clearly defined standards, hence securing a minimum and equal level of public service quality across jurisdictions 	<ul style="list-style-type: none"> Uniform level of service provision across jurisdictions 	<ul style="list-style-type: none"> According to the results of the first phase of the school based management reform, no drop-outs were registered (Cojocaru, 2011)
	Risks	<ul style="list-style-type: none"> Different level of administrative capacity among RED could result in unequal public services quality across jurisdictions 	<ul style="list-style-type: none"> Efficiency (i.e. a better match to local preferences and costs) could be traded off for equity 	<ul style="list-style-type: none"> The level of additional revenues collected by the schools (contributions from parents, LG, donors, local stakeholders) can differ significantly among schools

EQUITY	Recommendations	Assignment of Competences at RG level		Transfer of school administrative and financial management tasks to school level
		Option 1: Delegation	Option 2: De-concentration	
		<ul style="list-style-type: none"> Strengthen administrative capacity at local level Define the role of CG and mechanism for interventions to compensate for the above mentioned inequalities 	<ul style="list-style-type: none"> Flexibility to account for and integrate local costs and preferences in public service provision. 	<ul style="list-style-type: none"> Support schools facing difficulties in ensuring a minimum level of investment in certain expense categories (infrastructure maintenance, extracurricular activities, etc)
ACCOUNTABILITY	Advantages	<ul style="list-style-type: none"> Preserves CG's control leverages while allowing RG discretion in policy implementation at local level Brings decision-making closer to the school and local community 	<ul style="list-style-type: none"> Allows for direct control and strong professional accountability (school directors and RG/CG) 	<ul style="list-style-type: none"> Parents' participation mechanism already in place Parents' participation level already rather high
	Risks/Disadvantages	<ul style="list-style-type: none"> Long accountability route, since RG are accountable to the CG, not the parents and local community 	<ul style="list-style-type: none"> Long and hence weak route of accountability (parents and decision-makers) Trade unions could consolidate and exercise strong lobby on the ministry, thus in time the system of hiring/firing teachers could become more rigid 	<ul style="list-style-type: none"> The large number of parents who migrated abroad might compromise the participation mechanism at the school level Low level of transparency Lack of performance measurement information
	Recommendations	<ul style="list-style-type: none"> Improve performance measurement Improve transparency and inclusion mechanism at the school and local level It will require a very minute identification, clarification and separation of tasks and decision-making authority between the RG and the CG 	<ul style="list-style-type: none"> Improve performance measurement Increase transparency Improve inclusion mechanism at the school and local level A consultative body of parents, LGs and local stakeholders could be created at the CG and/or the regional deconcentrated bodies to bring the local community's voice closer to the decision makers 	<ul style="list-style-type: none"> Increase the decision-making power of the School Administration Board in school management related issues, including Strengthen accountability of school directors primarily to parents Increase transparency Improve and increase access to school performance information

CONCLUSION

This paper set off to assess the main issues that the lately announced decentralization initiative in Moldova would encounter once implemented in the compulsory education sector. Focusing on education management issues, it assessed the main aspects identified in the Decentralization Strategy Draft put forward by the Moldovan Government in 2011, namely administrative and financial competences, administrative and institutional capacity, patrimony management and civic participation with regard to compulsory public education in terms of public service efficiency, equity and accountability.

As result of this assessment, it can be concluded that the puzzling assignment of competences between different government layers, a consequence of the previous public administration reforms, creates confusion regarding the ownership of the education service and constitutes a fertile ground for intergovernmental tensions. Albeit a rather general weak administrative and financial capacity at the sub-national level the Regional Education Directorates concentrate most of the administrative capacity and professional experience to carry out the educational tasks efficiently at the sub-national level. Due to strong vertical control the professional accountability of the regional government to the central government is particularly salient. However, at the local level, despite parents' increased involvement and financial contributions to the school budget, the lack of leverages for parents to influence the decision-making process at the school level weakens the accountability link between the local community and the school. Further on, the recent governmental engagement to reduce the oversized teaching and non-teaching staff, optimize the school network, and improve the school financing mechanism are optimal policies for stemming inefficiency and inequalities in the use of public funds while at the same time setting up the stage for

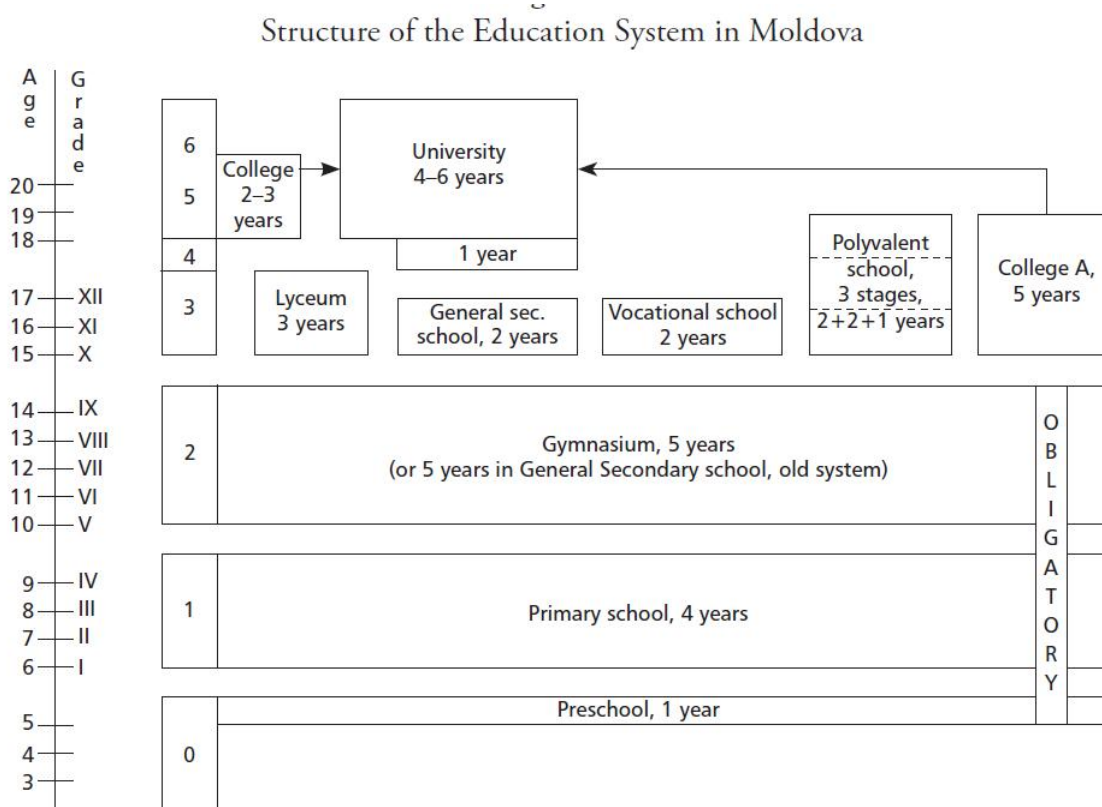
enhanced school autonomy over school management issues. However it does not offer a clear solution for improving the accountability mechanism at local level.

Consequently, this paper concludes that the main task of the forthcoming decentralization reform will be to define the role of the Regional Educational Directorates, as deconcentrated or delegated bodies, and rearrange the tasks accordingly. Each option bears its risks and benefits, whereas the decision for any of them would have to be correlated with the broad decentralization and fiscal decentralization process. Nevertheless, delegating education management competences to regional educational directorates is the recommended option in this thesis as its benefits outweigh those of de-concentration while exhibiting fewer risks and downsides.

At the same time it was argued that deepening the decentralization to the school level by endowing school management with larger decision-making authority, coupled with the increased participation and contribution of parents to school financing and management issues, challenges the current weak constellation of accountability links. Hence, this thesis argues that under enlarged school autonomy conditions, the focus should be placed on strengthening the leverages for parents to participate in school management related issues and hold the school management accountable for its actions.

ANNEX I: Structure of the Education System in Moldova

Source: Ionita (2009)



ANNEX II: INTERVIEWEE LIST

(Interviews conducted between April 23-31, 2011)

1. MUNTEANU Andrei, Councilor of the Minister of Education
2. CRUDU Valentin, Head of the Department of Preschool, Primary and Secondary Education, Ministry of Education of Moldova
3. COJOCARU Tudor, Head of the Department of Policy Analysis, Evaluation, Monitoring, Ministry of Education of Moldova
4. TVERDOHLEB NAGNIBEDA Tatiana, Head of the Chisinau Municipality General Directorate for Education, Youth and Sport
5. LUNGU Alexandra, Head of Education, Youth and Sports Directorate of Nisporeni County
6. PATRAS Valentina, Mayor, Gratiesti Commune, Chisinau Municipality
7. FURDUI Viorel, Executive Director, The Congress of Local Governments of Moldova
8. GRIMALSHI Anatol, expert, Institute for Public Policy

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