

**DECENTRALIZATION AND FINANCING OF PRIMARY AND SECONDARY
EDUCATION IN THE REPUBLIC OF MACEDONIA**

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Abstract: The main aim of the process of Decentralization of education was to improve conditions, quality educational standards and to enable access to education. However, in order the process of decentralization of education to achieve its objectives, is necessary to be accompanied by sufficient fiscal decentralization, sufficient funding versus authorizations by the Local authorities in the sphere of education, exacerbates the efficiency of providing public services.

The main aim of this paper is to analyze the theoretical and empirical analysis of the forms of financing of primary and secondary education in the Republic of Macedonia in the time period from the beginning of the process of decentralization since 2005. The paper includes a review of the financial sufficiency for the realization of this comity, the criteria on the basis of which the funds from the central government to the local government are distributed and the criteria for determining the level of education budget at the local level. A number of problems have been identified in the application of current methods and an alternative approach to estimate the cost for student needs has been proposed. In order to make an informed decision about the required levels of resources, research needs to be done to determine the costs associated with the education of students with different levels of need.

Keywords: primary education, secondary education, financial budget, local government, decentralization.

1. INTRODUCTION

Primary and secondary education, almost in all democratized and decetralized countries, is a public function that is carried out by local self-government units. In the literature on decentralization of education, also a lot of studies and research by different authors, that dedicated the research for different countries present different forms of power transfer through decentralization. Decentralization of education (devolution), means the permanent transfer of authority over financial, administrative or pedagogical issues from the highest to the lowest levels of government. Other forms of transfer are deconcentration and delegation. Deconcentration is a process where some responsibilities are allowed in management at the lowest levels of government, but the central government controls a variety of activities. This is the weakest form of decentralization. On the other hand, delegation is a more general approach to decentralization, where central government delegates authority to lower levels of government, meaning that delegated com- munity can be withdrawn in case of non-realization.

³². In the Republic of Macedonia during the process of decentralization, some competences were transferred in the sphere of primary and secondary education. According to the Law on Local Government, the list of competences of the local government is also "Education - establishment, financing and administration of primary and secondary schools, in cooperation with the central government, in accordance with the law, organization of student transport and food and housing Of them in dormitories ". From the practical exercise of this competence, it can be freely found that municipalities in Macedonia share this competence with the central government. The realization of this service becomes even more difficult as a result of the unavailability of financial resources delegated by the central government to the municipal one, where according to the interview conducted with municipal budget planning administrators, the bulk of the block grants for education is allocated to gross personal income of the employees in education, even on average about 80%. Opportunities to improve the conditions in schools to advance and modernize primary and secondary education are, unfortunately, minimal due to insufficient funding from block grants and municipal own funds.

³² Law on Local Authorities (Official Gazette of RM 5/2002)

2. DECENTRALIZATION AND FINANCING OF PRIMARY AND SECONDARY PUBLIC EDUCATION

Financing of primary and secondary education, with the process of functional and fiscal decentralization of this competence, is realized mainly by funds delegated by the central government and that in the form of block grants and grants intended for primary and secondary education. Further municipalities, according to legal regulations, are obliged to allocate these funds to primary and secondary schools. The financial program for primary and secondary schools operating in the territorial boundaries of a municipality is an integral part of the municipal budget for the respective fiscal year.

Municipalities, depending on their financial capacity, ie the financial resources provided by their own resources, can fill the funds from the block grants and allocate them for current and capital expenditures except for the personal income of the employees in the municipal schools.

2.1. The criteria for distribution of block grants for primary education

The criteria for distribution of block grants for primary education are: the base amount for municipalities, the number of students in the municipality, the number of students per class, the number of special needs students, the population density. The so-called upper and lower boundary mechanism is also used in the distribution.³³

$$BDO_o = O + WMP \times S$$

$$WMP = O + MA (W \times Kg + Up + Cp \times Upp \times CH)$$

BDO_o - Block grant for primary education for the municipality

O_h - Basic amount per municipality

WMP - weighted students in the municipality

S - Standard (amount) per student

W - Total number of students in the municipality

Up - Number of students in the upper classes in the municipality

Upp - Number of students with disabilities in the municipality

CP - coefficient (weight) for the subject instruction (0.2)

CH Checkpoint - coefficient (weight) for students with disabilities (1)

Kg - coefficient (weight) Density municipality:

20 people per km² - (0.6)

20 to 50 people per km² - (0.4)

50 to 70 people per km² - (0.2)

2.2 The criteria for distribution of block grants intended for primary education

The allocation of grants for primary education is: the basic amount for a municipality, the number of pupils in primary education, population density, the so called upper and lower border mechanism.³⁴

Article 5

Allocation of categorical grants for primary education is the formula:

$$NDO_o = O + WMP \times S$$

$$WMP = W + (W \times Kg)$$

NDO_o - earmarked grants for primary education for the municipality

O_h - Basic amount per municipality

W - Total number of students in the municipality

WMP - weighted pupils in the municipality

S - Standard (amount) per student

Kg - coefficient (weight) for a population density of the municipality:

20 inhabitants per km² - (1.4)

20 to 35 people per km² - (0.8)

35 to 70 people per km² - (0.6)

Criteria for distribution of block grants for secondary education

³³ The methodology for determining the criteria for distribution of block grants for primary education by municipalities for 2017, Article 5, Official Gazette of RM 81/2016

³⁴ The methodology for determining the criteria for allocation of earmarked grants for basic education in Municipalities 2017, Article 5, Official Gazette of RM 81/2016

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The allocation of funds from block grants is calculated according to the formula. The formula is mainly based on the number of students in secondary schools. The formula may also have some other factors such as the type of school facility, school location, etc. The criteria for allocating block grants for secondary education are: the basic amount for the municipality, the number of students in secondary education in the respective municipality, the number of pupils in vocational education in the municipality³⁵

Allocation of block grants for high school is according to the formula:

$$BDS_o = O + WMP \times S$$

$$WMP = W + O_s \times K_s$$

BDS_o - Block grant for secondary education in the op-Skills / Skopje

O - Basic amount per municipality / Skopje

WMP - weighted students in the Municipality / City of Skopje

S - Standard (amount) per student

W - Total pupils in secondary education in the op-Skills / Skopje

O_s - Number of students in vocational education in the Municipality / City of Skopje

K_s - coefficient (weight) for vocational education (0.1)

While from the local authority the block allocations for the municipality are further distributed based on the following criteria: historical expenses, number of students, number of employees, number of parallels and eventual needs.

Table 1. Public funding of education after the process of decentralization

YEA RS	Pre and primary school (1)	Intended donations (2)	Block grants (3)	Funding of primary education (1+2+3)=(4)	Fund.of sec.edu.from central budget (5)	Intended donations (6)	Block grants (7)	Fund.of secondar y school (5+6+7) =(8)
2006	6190802	440000	0	6630802	2467748	170000	0	2637748
2007	6495096	535918	204893	7235907	2319477	189904	941386	3450767
2008	4257618	200016	5645041	10102675	1553416	62160	2201991	3817567
2009	3266396	157171	6662726	10086293	1272303	71890	3008447	4352640
2010	1526990	95262	7145820	8768072	1021611	55378	3166290	4243279
2011	1821704	67326	7728399	9617429	1787977	49191	3521425	5358593
2012	979027	2950	8420171	9402148	786219	0	3918432	4704651
2013	1171011	3300	8479939	9654250	894632	0	3948313	4842945
2014	1080443	3000	8553191	9636634	841780	0	4026448	4868228

Source: The data are processed by the authors based on the budgets of Macedonia and data from the Ministry of Finance

From the data presented in above table the financing of public education after the fiscal decentralization process, it is noted that the trend of financing trend is increasing at all levels, ranging from financing preschool and primary education and grants destined for the same categories.

Primary education and primary education in Macedonia is partially funded by the central state budget and partly by targeted grants and block donations. Funding for pre-school education and primary education, from the central state budget, from 2006 to 2014 marks a downward trend. In 2006 the amount of funds earmarked from the budget for Preschool and primary education was 6,190,802 and in 2014 totaling 1080443. earmarked generally marked downward trend over the years taken in the analysis.

In 2006 the amount was 440000 and in 2014 this amount reaches 3000. The most important is the growing trend of the block donations. In 2006, pre-school education and primary education were not funded by block donations,

³⁵ The methodology for determining the criteria for distribution of block grants for secondary education by municipalities and City of Skopje 2017, Article 4, Official Gazette of RM No. 81/2016

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while in 2014 with the benefit of municipal competencies, this amounts to 8553191. In total, pre-school and primary education mark an increasing trend, in general pre-school and primary education reached the amount of 9636634 in 2014.

The secondary education funding structure includes funding from the central state budget, funding from destined donations, and block grants. Funding for secondary education from the state budget in 2006 was 2467748 whereas in 2014 it amounted to 841780. Block grants in 2006 Have been 0 while in 2014 the value of the funding reaches 4026448. Although the trend of funding from the budget and donations destined is downward, block grants mark an increasing trend and so in general, secondary education funding marks an increasing trend. In 2006, the total funding value was 2637748 whereas in 2014 this amount reached 4868228.

Table 2. Financing of education levels as a percentage of GDP (2006-2014)

<i>Years</i>	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Funding for primary education as% GDP</i>	2	1.9	2.4	2.4	2	2.1	2	1.9	1.8
<i>The secondary education funding as% GDP</i>	0.8	0.9	0.9	1	1	1.2	1	1	0.9

Source: The data are processed by the authors based on the budgets of Macedonia and data from the Ministry of Finance

From the table it is seen that in 2014 primary education funding as a percentage of GDP decreases from 2% in 2006 to 1.8 in 2014. Secondary education funding as a percentage of GDP from 0.8 reaches 0.9 in 2014.. Generally, this table reflects a very low share of spending dedicated to education levels as a percentage of GDP.

As fiscal decentralization is generally measured as a share of the costs of local government in total government expenditure also the decentralization of education can be measured in its fiscal dimension, as a share of the costs of the local government to the level of education in total government expenditure. Although this approach ignores the importance of measuring the level of decision-making in education, given the lack of data to conduct mutual studies, the measurement of the fiscal aspect of education decentralization may be the only aspect that would be consistent for a group of wider countries.

Table 3: Percentage of participation of primary and secondary education expenditures in total state budget expenditures for the time period 2008-2016

Year	General Budget Expenditures	The secondary education funding	Funding for primary education	Total	% In budget expenditures
	2008	150.371.000	3817567	10102675	13920242
2009	149.594.000	4352640	10086293	14438933	9.65
2010	149.174.306	4243279	8768072	13011351	8.72
2011	159.992.000	5358593	9617429	14976022	9.36
2012	161.667.000	4704651	9402148	14106799	8.72
2013	168.541.000	4842945	9654250	14497195	8.6
2014	175.157.000	4868228	9636634	14504862	8.28

Source: The data are processed by the author based on the Macedonian budgets for the years taking into analysis and the data from the Ministry of Finance

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From the data in the above table it is clear that the funds that are transferred to the local government units in Macedonia in the general of the state budget in the time period taking into consideration, participate with 8, 94% on average. Since the total cost of central budget spending from 2011 to 2014 is high, the volume of education allocations in this period marks a slight increase and a decrease in 2012 compared to 2011.

3. CONCLUSIONS AND RECOMMENDATIONS

This study researched the way in which education funds in Macedonia were distributed by the central government to the local government and the local government in schools and how local decisions are made regarding the level of education budget. While the level of government funding is of decisive importance, the fact that block grants are not sufficient for the realization and advancement of the service in education means that local authorities are likely to spend more, but from the amount of own funds The local does not allow them to influence with additional funds. Local authorities consider that the formula for allocating funds from the central budget to the local one is not transparent, does not provide financial means for covering services such as heating, student transport, electricity, and does not favor areas in which school infrastructure is outdated. But funds for the construction of new schools and reconstructions are allocated from the central budget in the form of grants.

In order to improve the conditions and increase the quality of the municipal schools we consider that it is necessary first and foremost, both central and local levels to be prioritized in primary and secondary education, to identify and determine the cost of the real needs indispensable And special for each school. Since education is a conditional right for each person to reduce the disparities existing between lower school districts or municipalities compared to higher income regions or communes, the distribution of block grants should also take into account the poverty factor .

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