

# STIMULATING THE PRIVATE FUNDING IN ROMANIAN EDUCATION

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**Abstract:** *After 1990, education has been one of the areas of activity that has not been adequately funded. Even though the laws governing the activity in this area have established a percentage of 6% of GDP on education, this has not happened. Given the underfunding of the Romanian education by means of public sources, it is important to search for ways of funding, to contribute to the smooth functioning of the educational process and to increase its performance. The paper analyzes the possibility of stimulating private contributions for the benefit of schools, and for those who benefit of its services.*

**Key words:** *public funds, education, private funding, stimulating policies.*

## 1. Introduction

The National Education Law stipulates in Article 2 (7) that "*In Romania, education is a national priority.*" Article 8 (6) states that "*For national education, the funding allocated annually from the state budget and from local government budgets amounts to at least 6% of the gross domestic product of that year. Additionally, units and schools can autonomously acquire and use their own income. For scientific research, at least 1% of gross domestic product of the year is allocated annually from the state budget.*"

These provisions of the new law of national education are not new. The pronouncement of education as a national priority is found in Law. 84 of 24 July 1995, the Education Law, republished and updated to December 2008. With regard to allocating a part of GDP for financing education, in Law 84/1995, in Article 170, (1) it is mentioned, "*State education funding comes from the state budget, equaling at least 4% of the gross domestic*

*product*". Article 170 (1) was amended by Law no. 354 of 15 July 2004 as it follows: "*In order to finance the state education from public funds, increasing budgetary allocations are annually ensured, of at least 6% of GDP*".

Before the beginning of 2007, by the Emergency Ordinance 88 of 20 November 2006, the provisions of paragraph 1 of Article 170 of the Education Law were ignored until 31 December 2007. In other words, only in 2008 did this allocation achieve 6% of GDP for education. But by the end of 2008, the economic crisis also included Romania. From 2008 until now, this provision of the law has been far from being met. In 2011, the amounts allocated from the state budget and local government budgets ranged around 2% of GDP.

## 2. Allocation of public funds for education

The fact that the Romanian education system has been underfunded is revealed by data on the share of education spending

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from total expenditure, plotted in Figure 1. It can be noticed that, although the trend of these expenses was slightly upward, in the last four years it has returned to the level recorded in the years 1991 - 1995.

Underfunding education has been a constant for the whole period after 1990. In two periods, 1995-1998 and 2005 - 2008, relatively greater financial resources were allocated. In 2007, the share of education spending reached a historic maximum, 13.74%, of the total budgetary expenditure. One can notice the pro-cyclical nature of this share, the growth periods overlapping

over the periods of expansion of the overall economic activity, and the downturns overlapping over the periods of economic crisis.

The period outlined in Figure 1 is from 2005 to 2008. The amplitude of the increasing education spending recorded in this period suggests not only an overlap over the economic boom, but also a change in the strategy on education. This was reflected in increased amounts allocated for investments in infrastructure for education, research and improving the social conditions for students.

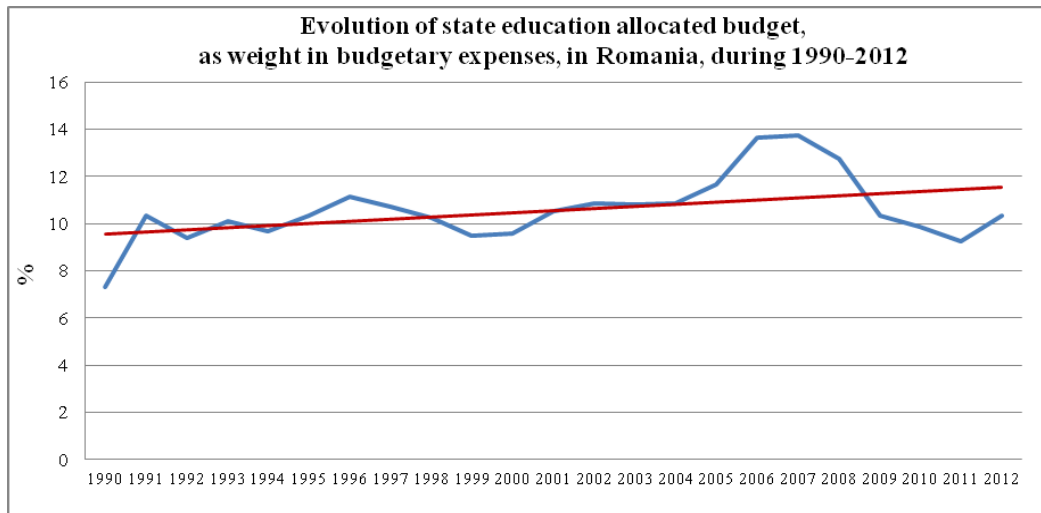


Fig. 1. *Weights of education expenses in the total budgetary expenditure*

A relative increase in the attention paid to education in the four years mentioned above does not diminish the overall appearance of underfunding in this area during the 23 years analyzed. A more relevant image is shown in Figure 2, which shows the evolution of the GDP percentage allocated to education in the period 1990-2012.

Between 1990 - 2003, the percentage of GDP allocated to education was in the range of 2.5% - 3%. For a period of 14 years, education received minimum funding, at the inferior limit for ensuring

operation. Only in 2006 did this weight exceed 3%; then, in 2008, it reached the maximum of 4%. Since 2009, the proportion of GDP allocated to education has been reduced; in 2012 it is estimated that it will be around 2.6%. In 2011, 4207.6 billion lei were spent for education from the state budget, accounting for 0.7% of GDP, the percentage difference till 2.64% of GDP being represented by additional funding from local budgets, from the amounts deducted from VAT and own resources.

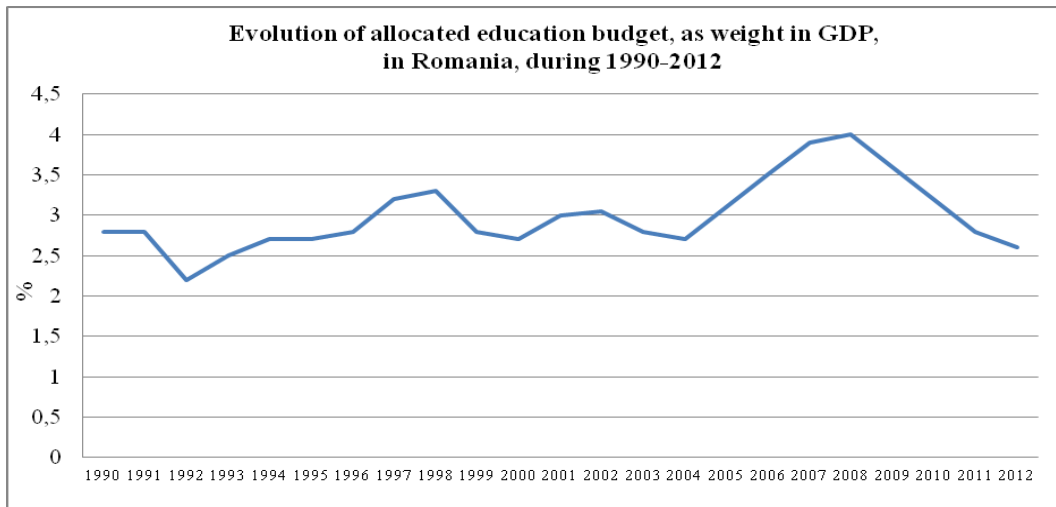


Fig. 2. *Education expenditure weights in GDP*

The analysis of the trend of the past four years shows that this is downward. Funding is gradually reduced, which cannot provide the necessary qualitative changes in the Romanian education. The budget for 2012 was built according to the negotiations with the IMF and the European Commission, taking into account an economic growth of about 2% and the budget deficit within the range 1.8% - 2.3%. The evolution of the economic activity shows that the economic growth target will not be met, and budget expenditures must be reduced. Education is among the areas for which the budget allocations will decrease as compared to the previous year, these allocations being already reduced. The amount allocated per student in Romania is the lowest in the European Union. For example, the overall annual cost per pupil / student in Romania in 2006 was 1500 euro, well below the European average, which amounted in that year to 5700 Euro.

Even when more resources were allocated, they were used inefficiently. There were no and neither currently no minimum requirements for the efficient use of public funds for education. The

balance between effort and effect was not taken into account, what the obtained "profit" is, the payback period of investments, which the fulfilment degree of the purpose is and also other economic indicators. As a result, new schools were built, in localities where there are no children to learn in them. There were constructed toilets using billions of lei in school courtyards, which were closed not long after, as a result of the merger that took place. Computers were purchased that were not used properly, as well as other fixed assets or inventory goods whose purchase is not justified. The examples may continue.

Finally, in the Romanian educational system the most underpaid teachers are found, both in relation to other social categories and also compared with those of Bulgaria, Hungary, Poland and any country in Europe. The beginner teacher salary is about 50-60% of GDP per capita, one of the lowest levels in Europe.

Underfunding on the one hand and inefficient use of funds on the other hand have had significant effects on schools and especially on those who learn in these schools.

### 3. Quality of education

In general, the quality of a process, in our case the educational process, is characterized by its results. A large number of pupils with good results during the school year, a successful participation in national and international tests, passing to higher levels of education, competitions etc. are characteristics of a quality education system.

A high level of school participation at all levels, small dropout rate in the system, close to zero, a significant percentage of graduates at various levels of education and within different types of education, integrated socio-professional specializations etc. are also features of a quality education system. Finally, the quality of education is reflected in culture, civilized behaviour, involvement manner in society, respect for the fundamental values of society, ethical and moral values embraced. There are some relevant data for the education quality in Romania:

- A large number of drop-outs. For example, in the school year 2008-2009, over 80,850 children left the education system;
- Non enrolment in the education system of a large number of children. For example, in 2010, 362,062 children were not enrolled in the education system (preschool, primary, secondary or vocational), although they were age-appropriate;
- Poor performance in reading, writing and numeracy. In 2009, the percentage of pupils 15 years old with poor performance in reading was 40.4%, and of those with poor performance in mathematics was 47% (EU average is around 20%);
- A large number of graduates of secondary school/ high school/ college are socio-professionally nonintegrated. In 2012, the unemployment rate among young people in Romania exceeded 25%;

- A large number of offences committed by young people. There is an ascending trend among juvenile delinquency, along with increasing severity of offences committed.

The quality of an education system is influenced by factors external to the school, such as the student's socio-economic familial environment, the parents' education level and occupation etc. However, the school influence on the education success of pupils / students is crucial. Schools should involve the family, the community in school activities. Pupils' parents, governmental local authorities and other associative structures can improve the funding of school activities, including increasing teachers' motivation to increase the level of training, the attention given to pupils, their determination to contribute more to pupils' success.

### 4. Stimulating private funding

As public funding is reduced, it is necessary to search private financing methods that will improve the quality of education. The most interested in improving the quality of education are parents. Some practices of parents' financial involvement or contributions to the class and school were rejected and classified as illegal.

Nevertheless, Law of Education 1/2011 specifies in Article 108 (1) "pre-university educational establishments can get their income from specific activities, by law, donations, sponsorships or other forms legally constituted." We will examine further the possibility to ask parents or others to donate money to various schools, to be used for purchasing educational materials, for carrying out maintenance of the materials or even stimulating teaching.

The potential donors are divided into three groups: one group which includes those who are willing to donate less than 100 lei per year, a group which includes those who are willing to donate between 100 and 300 lei per year, and a group

comprising those who are willing to donate over 300 lei per year. Donations are free and produce donors' satisfaction.

The amounts received by the school as a result of this action are higher and the donors' satisfaction is higher.

To stimulate the donations, we can suppose that public authorities promote the following policy: any donated amount

greater than 100 lei, but less than 300 lei, determines public authorities to supplement the school budget with 2 lei for every donated leu. The graphical representation of a donor's budget is shown in Figure 3. The slope is uniform, meaning that one leu spent on other goods is 1 leu less for the donation.

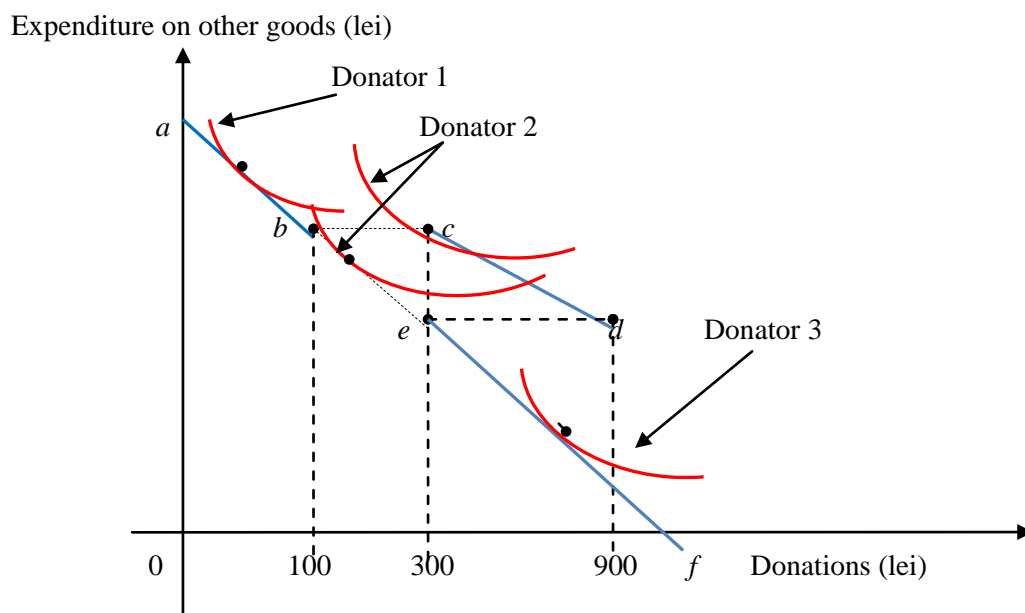


Fig. 3. Effect of the donation stimulating policy

The budget line is *abcdef*. The curves in Figure 3 represents the three categories of donors.

The indifference curve for type 1 donors does not intersect the budget right. Therefore, this type of donors does not change their behaviour as a result of the stimulating policy for donations.

The less willing individuals are to donate a certain amount of money to school, the more reduced is the influence of this type of policy on their behavior. Donors of type 2 respond to stimuli, increasing their donated amounts.

Individuals who fall into this category are those who are willing, before implementing the stimulus policy, to

donate money close to 100 lei and between 100 lei and 300 lei. Donators of type 3, with donations of more than 300 lei before the implementation of the stimulus policy will be tempted to cut their donations.

## 5. Conclusions

The education system in Romania has been underfunded in the past 23 years. In any year of the analyzed period, the amounts allocated to education did not exceed the level of 4% of GDP. As a result, the quality of education registered a decline.

In the period 2005-2008 education received greater amounts, but the crisis, started in 2008, prompted the authorities to

reduce allocations for education. It became necessary to seek an alternative to public funding. This may be the involvement of parents and other categories of persons in financial support to schools. This involvement must be encouraged, not hindered.

A policy to stimulate donations may increase the amount donated to schools. Not all categories of donors will react in the same way. Some donors will never change their behaviour, others will increase the amounts donated, while others will reduce their contributions. The overall effect will be positive because most donors are represented by the group of those who will respond positively to incentives.

Stimulation of donations is important because, on the one hand, it provides additional funds in the education budget, and on the other hand it meets people's need to help improve pupils' learning conditions. In some countries (New Zealand, USA, and others), donating money to schools has become almost a practice.

Increasing the quality of education requires increased funding from public sources, and greater involvement of parents and other donors. In this way, the funds will be used effectively, according to specific needs. It is thus possible to increase children's enrollment in education, reducing school dropout and improving school performances.

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