

FROM RESOURCE ALLOCATION TO EQUAL LEARNING OPPORTUNITIES: USING FINANCING INSTRUMENTS AS DRIVERS FOR EDUCATION POLICIES

The Financing of Education in Moldova: overview

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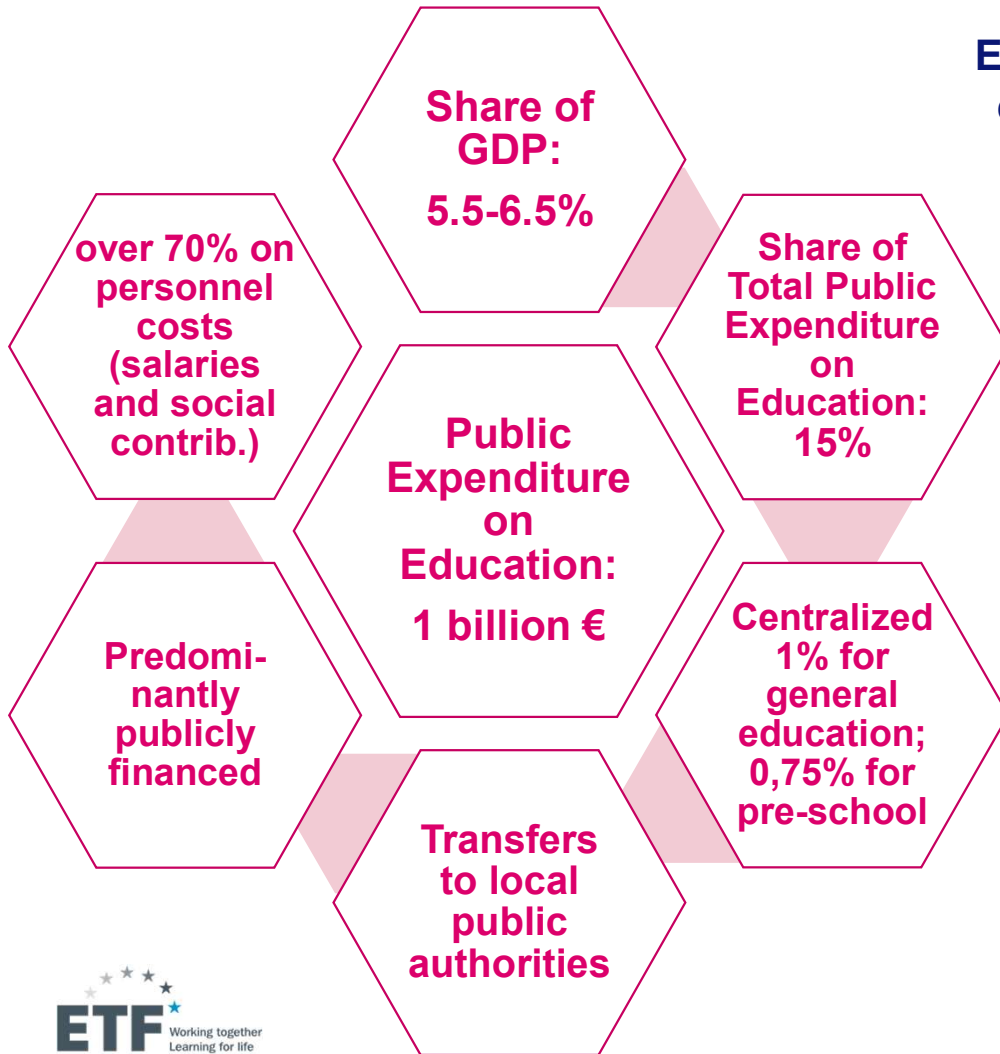
Context: main challenges of the education system

- **School Network** - increasing number of small and under-populated schools, especially in rural areas
- **Teacher Shortage and Aging Workforce** - particularly in rural areas and STEM subjects
- **Inequality and Access to Quality Education** - persistent urban–rural disparities in educational outcomes and access to resources
- **Financing and Resource Allocation Education** - financing remains limited relative to system needs, despite a high share of GDP allocated to education
- **Quality of Learning Outcomes** - significant share of students with low proficiency in reading, mathematics, and science
- **Migration and Brain Drain** - largescale migration affects student population, qualified teachers and researchers
- **Mismatch Between Education Outcomes and Labour Market Demand**
- **Governance and System Capacity** - fragmentation of responsibilities between central and local authorities
- **Curriculum and Learning Materials** - continuous need to update curricula to reflect competency-based education; limited availability of high-quality modern textbooks and learning materials in some subjects

Context: key policy reforms and their financial impact

- **Model Schools and Infrastructure Modernisation - School Network Optimization and Education Reform Project – 300 million €**
- **Higher Education Modernisation** - consolidation and merger of universities, modernization of research and innovation systems - **35 million €**
- **Per-Student Financing Formula “Money Follows the Pupil/Student”** - improved efficiency in public expenditure
- **Curriculum reform** - at all level of study (STEAM Emphasis, Life Skills, Transversal skills) – **25 million €**
- **Strengthening the quality of teaching and the attractiveness of the teaching profession professional development – 2,5 million € for 2026, 15000 € - teacher allowance**
- **Social Equity and Student Support Programs** - free-meal programme – **10 million € - 2025**, transportation, scholarships, and inclusive education services
- **Alignment of education with labour market needs** - modernization of VET and HE programs, development of the NQF, Dual education – **100 million € - Growth plan 2025-2030**
- **Digital transformation** - development of digital skills of students and teachers, learning environments, laboratories, and modern educational equipment; data-driven decision making and management information systems - **20 million €**
- **Inclusive education** and reform of the residential childcare system - **10 million €**

Resource mobilization & Basic data



External financing plays an important catalytic role, particularly for reforms and modernization.

External funds support:

- education reform programmes
- digital transformation of schools
- modernization of higher education
- infrastructure investments
- inclusive education programmes
- support for refugee students.

Household contributions mainly include:

- learning materials
- extracurricular activities
- transport and accommodation
- private tutoring



WORLD BANK GROUP



Resource allocation to the different levels

Major Financing Instruments

- **Intergovernmental transfers (formula-based funding)**
- **Allocations for specific policy priorities** - school infrastructure modernization, digital equipment, model schools, inclusive education services.
- **Social support measures** - free school meals, transport, accommodation in dormitories (mostly VET, HE).
- **Scholarships and stipends**, including vulnerable groups (mostly VET, HE).
- **Incentives and special programmes** – young teachers recruitment, teacher professional development.
- **External grants and project financing**

Key Policy Goals:

- **Efficiency of public spending**
- **Equity and inclusion**
- **Quality improvement**
- **Access to education**
Alignment with labour market needs

Main Bottlenecks

- **Demographic decline and small rural schools**
- **Limited fiscal space** for increasing teacher salaries and capital investments.
- **Inequalities between urban and rural schools**
- **Administrative capacity challenges** at local level for managing funds efficiently.
- **Dependence on external partners** for large modernization investments.

Governance of the financing chain: decentralisation issues and good financial governance principles

PRESCHOOL EDUCATION

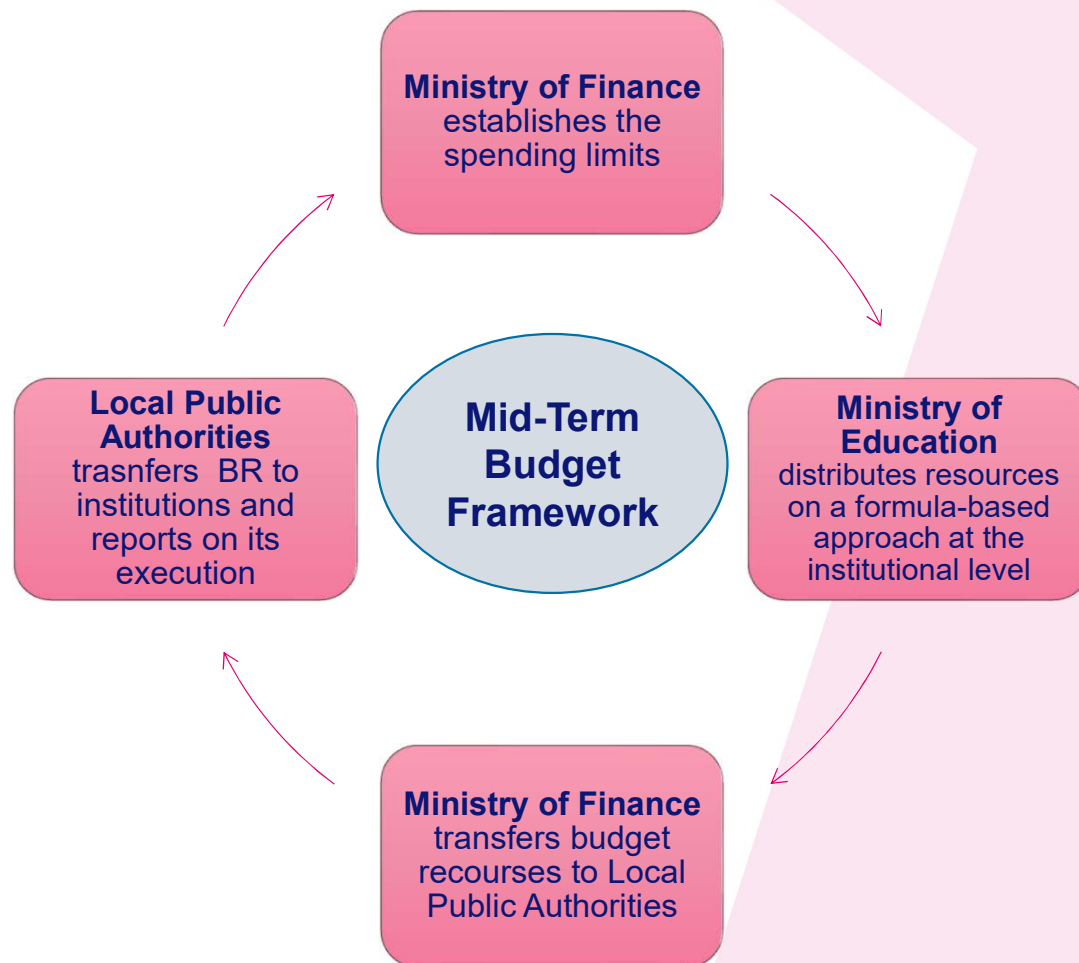
GD No 685/2024 - Methodology for Financing Preschool Education Institutions Based on Per-Child Costs

- funding for staff expenses, based on the number of groups;
- costs for heating, other utility services, transportation of children from other localities, and other categories of fixed expenses;
- costs for meals and other purchases (such as educational materials), with different amounts allocated based on age categories and the duration of the daily activity program.

PRIMARY AND SECONDARY EDUCATION

GD No 868/2014 - on the financing of primary and lower secondary education institutions, based on the standard cost per student

- standard funding (A) - number of weighted pupils per school, depending on levels of study additional funding
- (B) - spendings for current expenditures of the schools district level funds
- 2% of the total amount managed by the district for transportation of pupils, lodging for highschool students, etc.
- 2% for inclusive education (salaries for support teachers and establishment and equipping of Resource Centers for Inclusive Education)



Governance of the financing chain: decentralisation issues and good financial governance principles - VET & HE

Ministry of Finance establishes the spending limits

Ministry of Education and Research distributes resources on a formula-based approach at the institutional level

Sectorial Ministries, transfers budget resources to VET and HEIs

HIGHER EDUCATION

GD No 343/2020 on the approval of the Methodology for the budgetary financing of public higher education institutions

- **Standard financing**, based on the standard cost per student and adjustment programmes complexity coefficients – **75%**
- **Compensatory financing** to support performance – **20%**
- **Complementary financing** for the modernisation of material and teaching infrastructure – **5%**

VOCATIONAL EDUCATION AND TRAINING

GD No 628/2023 on the approval of the Methodology for the budgetary financing of public technical and vocational education institution

- **Standard financing**, based on the standard cost per student, differentiated programme coefficients
- **Complementary financing** for strengthening, modernising and developing of VET Is - **up to 12%**
- **Competitive project-based financing** - **up to 3%**

Lessons learnt and experience/good practice sharing

Innovative financing instruments

- **Per-student financing** “money follows the pupil” in general education, ensuring transparent and needs-based allocation of public resources.
- **Performance-based financing in higher education**, linking a share of public funding to institutional performance indicators.
- **Competitive project-based funding** for modernization of infrastructure, equipment and innovation in education institutions.
- **Co-financing mechanisms with international partners** supporting system reforms and investments.
- **Targeted funding for priority reforms**, including teacher training, digitalization, inclusive education and modernization of learning environments.

Main achievements

- **Increased transparency and predictability of funding allocation** through formula-based financing.
- **Improved efficiency of public spending** by linking funding to the number of students and institutional performance.
- **Strengthened institutional autonomy and accountability**, particularly in higher education.
- **Expanded investments in modern educational infrastructure, digital equipment and model schools.**
- **Enhanced labour-market relevance of vocational education**, including the development of **dual education programmes.**



Thank You for Your Attention!