

# Preschool Education Finance Reform in Albania: A Formula-based grant to municipalities

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Policy Analysis Laboratory: The Future of the Welfare State in the  
Western Balkans

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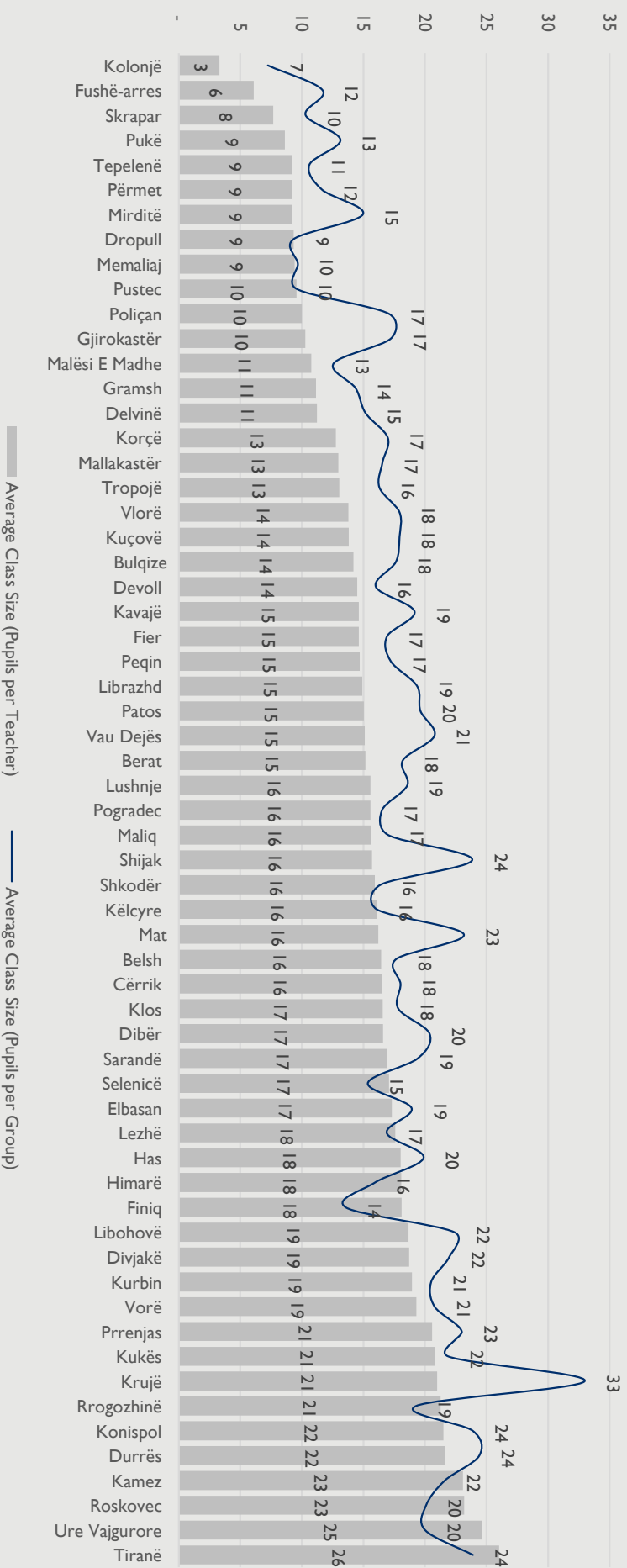
## Background

- Education:
  - 3.2% of GDP
  - 11.1% of public spending
- Preschools:
  - 0.5% of GDP
- No. of preschool pupils: 74.000 preschool pupils (3-6 yo), 14% of pupils population;
- Preschool enrollment rates between 55% and 70%;
- 23% located in urban areas
- hosting 50% of pupils;
- 11% of preschools offer a hot meal and charge a service fee (of c. 1 Euro per day);
- 89% do not charge anything;

## Background

- In 2016, local governments were transferred the responsibility to regulate and administer preschools as an exclusive local function;
- Money was allocated to LGs **on the basis of the number of teachers** inherited from Ministry of Education;
- The system did not reflect social and demographic developments producing/amplifying **serious inequities** in teacher/pupil ratios

# Inequities in Pupil Teacher ratios



Source: Ministry of Education, Sport and Youth

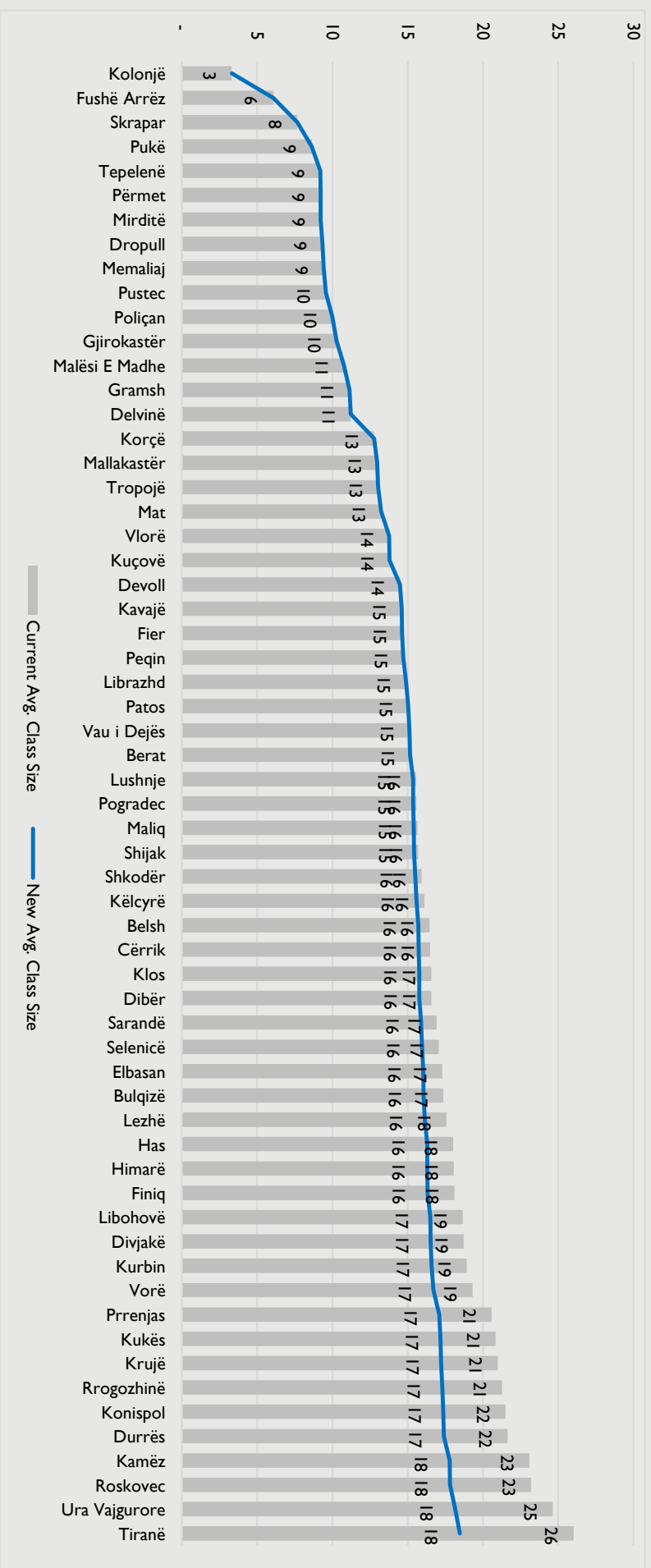
## Background

- Money for preschool teachers' wages in 2019 must be freely disposable – exclusive local functions cannot be financed by conditional grants.
- Inequitable pupil/teacher ratios and the freely disposable nature of revenues for 'new' own functions creates financial, technical, and legal challenges.
- The most pressing questions:
  - **How much money** is needed to allow those LGs with high pupil/teacher ratio's to lower them?
  - **How should it allocated** to LGs?
  - What happens if freely disposable **funding is spent on other functions?**

## Moving to a formula-based grant for preschool education

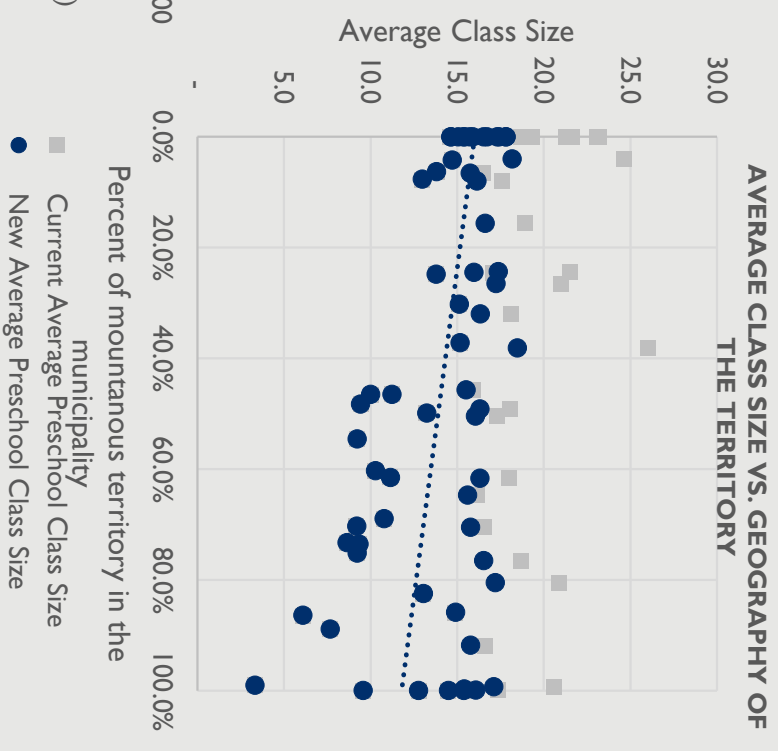
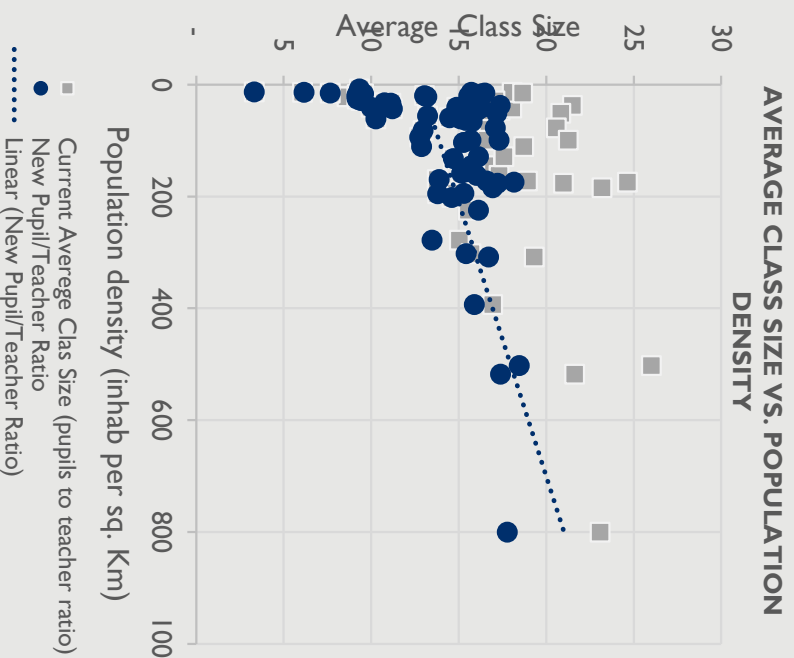
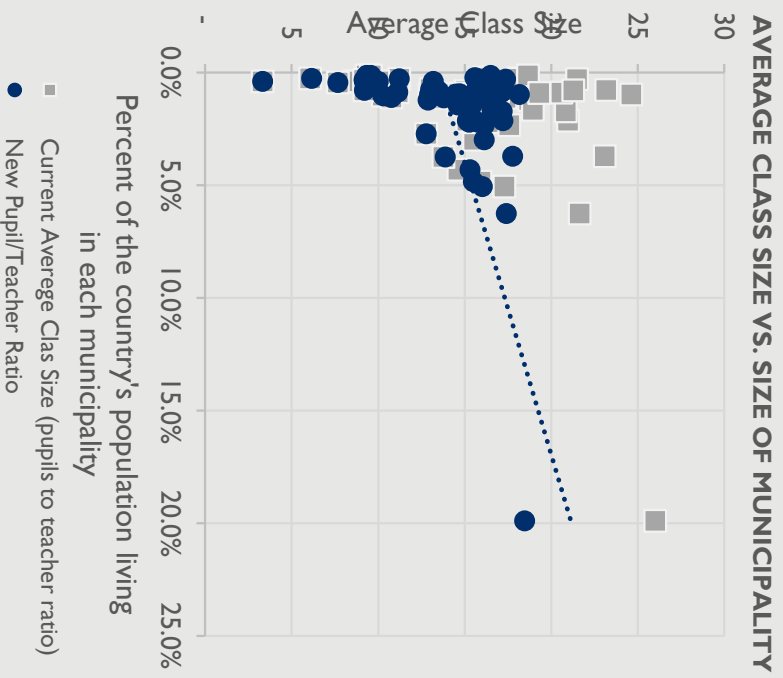
- “Specific Transfers” to be replaced by freely disposable “**Sectorally Unconditional Transfers**”;
- The size of the transfer for preschool teachers increased by **10%** to equalize conditions across municipalities;
- A formula for the allocation of funding: **60%** on enrollment, and **40%** on teacher employment.

# Projected Impact of Preschool Teacher Financing in 2019



# Projected Impact of Preschool Teacher Financing in 2019

Both small and large, urban and rural, mountainous and non mountainous municipalities benefit from the new system



**Avg. Class Size is reduced in both small and large municipalities**

**Avg. Class Size is reduced in both sparsely populated and dense municipalities**

**Avg. Class Size is reduced in both mountainous and non-mountainous municipalities**

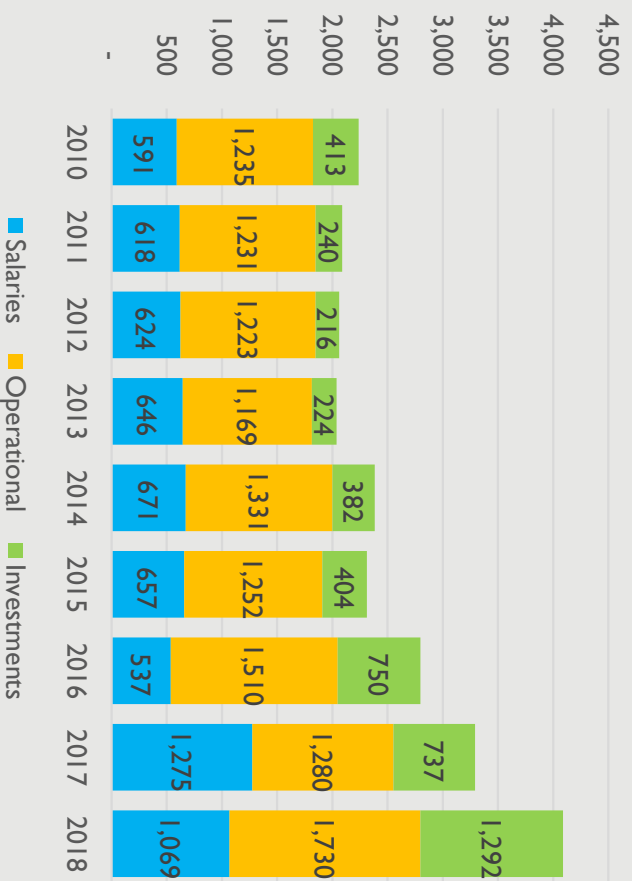


## The Transitional Situation of Preschool Finance

- Funding came in the middle of the school year!
- Can they hire all new teachers immediately?
- Does this reflect the most pressing needs of municipalities?
- Is funding guaranteed for future years?

# The Transitional Situation of Preschool Finance

Municipal Own Spending on Education  
2010-18



- What do local governments want?:
  - reduce class sizes;
  - provide meals in at least some preschools;
  - improve the maintenance, safety and cleanliness of school facilities.

## NEXT STEPS

- The financing system should be made more **stable** and **predictable**;
- Increase the funding to include the indicative **costs of support services, material costs and/or school meals** into the formula, as is done elsewhere.
- Funding to be **allocated primarily on a per pupil basis**;
- **Municipalities** should be **free to spend these monies as they see fit** --so long as they do not do so in ways that undermine the objectives of improving access and quality.
- While the **national government** will decrease its direct control over the function, its **ability to monitor and support municipal actions** should be strengthened – and change the organization culture t

## Upcoming events

- June 2020: Regional Conference on Best Practices in Financing Local Government Responsibilities in education, health and social protection.
- Joint effort of:



# Thank you!

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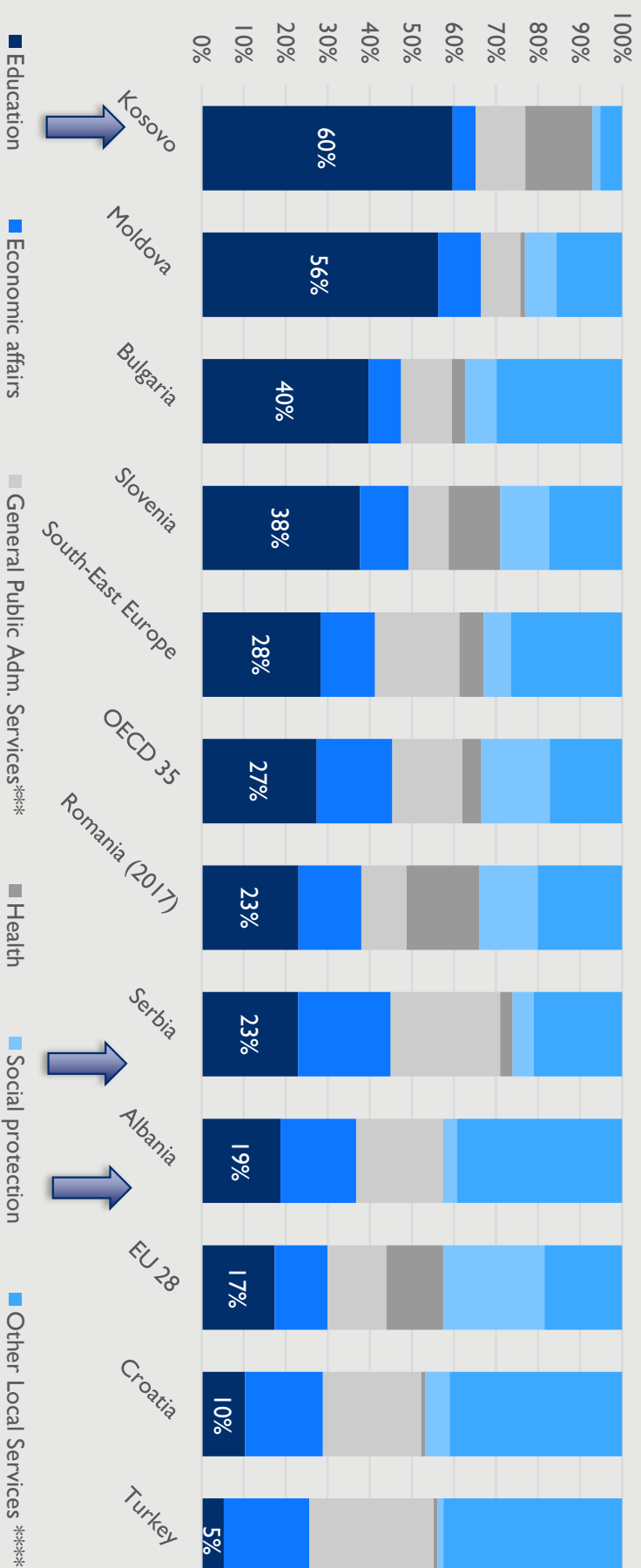
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# NALAS's Fiscal Decentralization Report

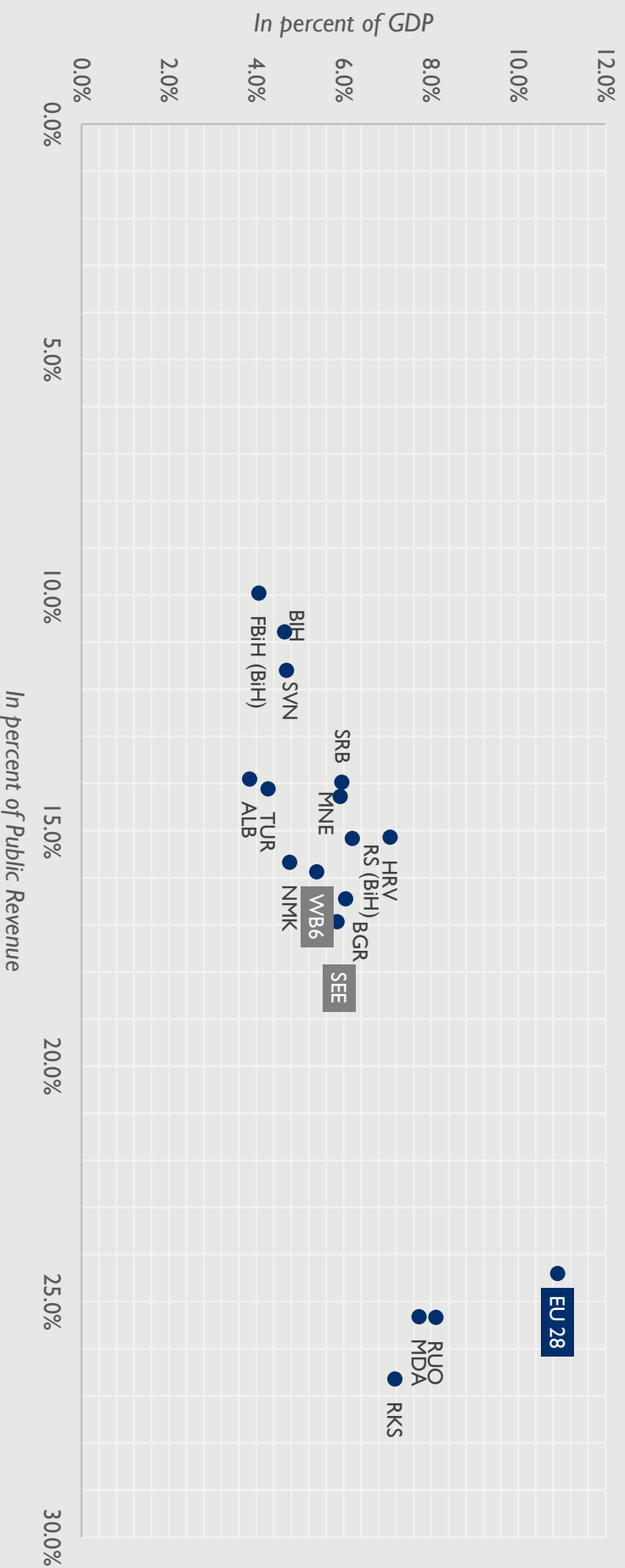
## Financing of the Social Sector in South East Europe



Source: NALAS Report: Fiscal Decentralization Indicators in South East Europe

# NALAS's Fiscal Decentralization Report:

## The Financing of Local Governments - Local revenues as a share of Public Revenues & GDP in SEE



Source: NALAS Report: Fiscal Decentralization Indicators in South East Europe

