

Examining Budget Credibility in Romania's Education Sector

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Introduction

Budget credibility describes the ability of government to meet its revenue and expenditure targets accurately and consistently.¹ Previous research conducted by the International Budget Partnership (IBP) and Funky Citizens found that the education sector in Romania receives, on average, 13 percent of total government spending, the second highest share after social protection.² However, education is the only sector with recurrent annual deviations, with less actual spending than the approved budget. Higher education in Romania is provided by a range of institutions, universities, institutes, academies, and schools. The latter can be state-owned or private and include military schools.

This study analyses the budget credibility issues in Romania's education sector by comparing the education expenditure of the Ministry of Education, Ministry of Internal Affairs (MIA), and Ministry of National Defence (MND) against the approved budget over a five-year period (FY 2018-2022).³ This brief examines the reasons behind budget deviations in the education sector, and their impact on service delivery, and recommends reforms to improve the implementation of Romania's education budget. The study uses a mixed method approach, including document reviews (budget statements and annual performance reports) and key informant interviews with officials of the Education Committee of Parliament, directors in the Ministry of Education responsible for budgeting and programming, education system professionals, and civil society representatives.

1 [Budget Credibility: What Can We Learn from PEFA Reports? | International Budget Partnership.](#)

2 <https://internationalbudget.org/publications/romania-budget-credibility-and-the-sustainable-development-goals/>; <https://funky.org/en/romania-credibilitatea-bugetara-si-obiectivele-de-dezvoltare-sustenabila/>

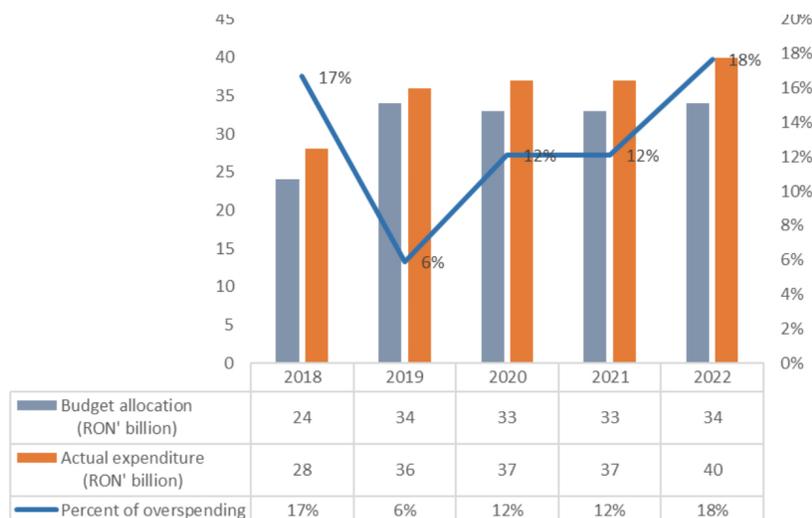
3 The MIA and MND are being included in this analysis because the two institutions are responsible for funding military schools. In other words, the education sector in Romania is not funded—on a national level—exclusively by the Ministry of Education.

Budget Credibility Trends in Romania's Education Sector

At the national level, the education sector is funded not only by the Ministry of Education, but also by the Ministry of Internal Affairs (MIA) and the Ministry of National Defence (MND), which are responsible for funding military schools. The data collected from all three ministries focus on the functional classification "education." Even though the budgets managed by MIA and MND are significantly smaller, they are important for analysing budget credibility, as they can offer insights into whether the issues observed in this brief are related to institutional capacity or a result of structural problems related to the design of the education system's financing.

Romania's education sector budget has been characterized by repeated overspending against the approved budget in the last five years (2018-2022). Romania's overall education sector expenditure exceeded the approved budget by 13 percent on average (an execution rate of 113 percent) during this period. The highest overrun was recorded in 2022, both in terms of absolute value (40 billion RON as against the approved budget of 34 billion RON) and rate of execution of 118 percent. However, the least execution rate of 106 percent was recorded in 2019 (see Figure 1).

Figure 1: Budget Deviation Trends in Romania's Education Sector, 2018-2022



Source: Ministry of Education, Ministry of Internal Affairs, and Ministry of National Defence

Analysing the deviation trends by different types of spending within the education sector shows that the expenditure overrun was concentrated in the current expenditure category, which includes goods and services, reimbursable financing, and personnel cost. The highest budget allocation and deviation (in absolute values) occurred in the personnel cost category, which covers, on average, slightly over 67 percent of the total budget allocation for the education sector. Even though the overall expenditure is higher than the actual budget, the education sector records an underspending trend for interest rates, non-repayable external funds, and social assistance.

Table 1: Budget Deviation Trends in Romania's Education Sector: Capital & Current Expenditure

	2018	2019	2020	2021	2022
	(RON' million)				
Capital Expenditure					
Budget allocation	462	549	516	879	962
Actual expenditure	450	581	645	999	1,058
Percent of under/overspending	-3%	6%	25%	14%	10%
	(RON' billion)				
Current Expenditure					
Budget allocation	24	34	32	32	33
Actual expenditure	28	36	37	36	39
Percent of overspending	15%	6%	14%	14%	18%

Source: Ministry of Education, Ministry of Internal Affairs, and Ministry of National Defence

Between 2018 and 2022, the overrun of capital spending averaged 10 percent compared to 13 percent for current expenditure. This implies that deviations in budget execution are lower when it comes to capital expenditure (investments) than current expenditure. The only exception was in 2020, when capital expenditure recorded an overspending of 25 percent while the budget deviation for current expenditure reached 14 percent (over 4bn RON overspending). However, the amount of money budgeted for investments is significantly lower than the money spent on current expenditure (such as personnel cost, goods and services, etc.), making it harder not to spend the available funds. In 2022, for example, the executed amount for current expenditure (39 bn RON) was 18 percent higher than the amount budgeted (33 bn RON). The expenditure closest to the budgetary allocation (current expenditure) was recorded in 2019, when overspending reached 6 percent of the initial budget.

A further analysis of the sector's current expenditure data shows that the Recovery and Resilience Facility (RRF) component had an overspending of 100 percent because it was not included in the budgetary allocation.⁴ The highest overspending was in the category "other expenses" in 2018, when expenditure exceeded budget allocation by 92 percent. By contrast, "goods and services" exceeded its budget allocation by more than 30 percent each year from 2018 through 2022. Budget deviation was lowest for "transfers between public institutions," for which underspending reached its lowest value at 1 percent and overspending reached a maximum of 4 percent. Actual expenditure for "personnel cost" in each of the five years exceeded the allocated budget, ranging between 14 and 22 percent over-expenditure. The repeated higher overrun of the "personnel costs" category highlights the weaknesses in the sector's budgeting system which does not reflect the real funding needs in the education sector.

The government of Romania does not link any specific program to its progress against SDG 4. However, there is available data for two national education programs, for which the actual expenditure is either lower or almost equal to the approved budget (see Table 2).

Table 2: Budget Deviation Trends by Selected National Education Programs, Ministry of Education, 2018-2022

Program	2018	2019	2020	2021	2022
School Supplies					
Approved budget	15	9	10	10	7
Actual expenditure	6	5	10	6	7
Percent of underspending	-60%	-44%	0%	-40%	0%
High School Vouchers					
Approved budget	51	87	69	64	51
Actual expenditure	51	81	69	57	51
Percent of underspending	0	-7%	0	-11%	0

Source: Ministry of Education, Ministry of Internal Affairs, and Ministry of National Defence

⁴ "Planul National de Redresare si Rezilienta (PNRR)." RRF/ PNRR is a temporary instrument that helps countries of the European Union to recover after the Covid-19 crisis.

The Ministry of Education's national programs Bani de liceu ("high school vouchers") and Acordarea de rechizite școlare ("school supplies") have the largest allocation of funds, with direct impact on pupils, and have been running throughout the period considered for the analysis. The main objective of the two programs is to reduce the school drop-out rate by providing financial and material resources for pupils to continue their studies, especially in low-income areas. Bani de liceu is financed with European Funds, through the "Operational Program Human Capital."⁵

The budget execution for the purchase of school supplies reached its highest execution rate (100 percent) in 2020 and 2022. The lowest execution was registered in 2021, with a rate of 60 percent (underspending against the approved budget by 40 percent). The High School Vouchers program recorded higher rates of execution, reaching 100 percent in 2018, 2020, and 2022 respectively. The lowest execution rate for this program was in 2019, when 93 percent of the approved budget was spent (underspending of 7 percent). The overall budget credibility of these two programs is better than the average credibility across the education portfolio in Romania. The stability offered by European funds, both in terms of their reliable disbursement and their strict reporting requirements, is arguably the main reason why these programs have better budget credibility than the general budget in the education sector.

5 Programul Operational Capital Uman (POCU).

Causes and Effects of the Budget Credibility Challenges in the Education Sector

Inefficiencies in budget planning and allocation

Ineffective budget planning processes and inconsistent allocation methodologies contribute to budget deviations, as they fail to accurately estimate the financial requirements of the education sector and allocate resources accordingly. The gaps in planning are in part related to weak institutional capacity in the education sector. The education sector in Romania faces budget credibility challenges primarily due to the discrepancy between low wages of teachers and the rising costs of living, resulting in difficulties to attract and retain qualified educators across the country. Low wages in the education sector are linked to the highest budget deviation (in absolute terms) in personnel expenditure. This overspending is caused by an initial lower-than-needed budget allocation which is afterwards revised through budget rectifications to cater for outstanding wages during the fiscal year. Essentially, the initial allocations for personnel costs only cover 10 months of wages, instead of the expected 12 months, making subsequent revisions inevitable. This unrealistic wage structure also fails to account for regional cost disparities and further worsens the government's inability to attract and retain qualified teachers. Also, the low initial personnel budget barely covers the costs of personnel in place and further impedes the hiring of new teachers, leading to larger class sizes. Overcrowded classrooms make it difficult for teachers to provide individualized attention, personalised instruction, and timely feedback to students. The quality of education suffers as teachers struggle to manage and engage with a larger number of students, compromising the effectiveness of their teaching methods. Students may also face difficulties in participating actively in classroom discussions and receiving the support they need to excel in school.

Inadequate financial management and oversight

Insufficient financial management practices and a lack of comprehensive oversight mechanisms within the education sector led to budget credibility challenges, as deviations from approved budgets often go unchecked and unaddressed. In part, this oversight can be attributed to a lack of financial management specialists working in the education sector. The net effect, however, is that the sector's budget credibility has suffered, and there are significant gaps in financial management practices contributing to these budget deviations. Making matters worse, this pattern is repeated year after year, with the lessons of past years seemingly absent in policymakers' budget decisions.

Conclusions and Recommendations

The long-term consequences of budget credibility challenges in Romania's education sector include, lower educational attainment, reduced employability prospects, and decreased socio-economic development. Addressing budget deviations and ensuring adequate funding for education are critical steps towards improving educational outcomes, enhancing the quality of education, and meeting the SDG 4 targets. This brief recommends the following measures for how budget credibility can be improved in the education sector:

- The government should improve the budget planning processes to accurately estimate the financial requirements of the education sector by allocating and releasing funds accordingly to avert the constant revisions in the budget year. The sector budget should allocate enough funds to cover teacher wages for the year as well as teaching and learning materials, and investments in school infrastructure (rehabilitation and new structures).
- The government should improve financial management practices and oversight mechanisms to ensure that deviations from approved budgets in the sector are checked and addressed.
- The government should deepen transparency by publishing disaggregated data on budget execution compared with original and revised allocations, as well as performance against non-financial targets for the education sector and provide adequate reasons and justifications for deviations and remedial measures to improve budget execution.

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The International Budget Partnership works hand-in-hand with partners globally—from think tanks to social movements—to ensure everyone can understand, participate in, and track how public money is raised and spent. Together, we generate data, advocate for reform and build people’s skills and knowledge so that everyone can have a voice in budget decisions that impact their lives. The change we seek is a world in which people have the power to ensure public money addresses their priorities and reduces systemic inequality and injustice.

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