

Discussion Draft

Preparing for Education Decentralization
in Macedonia:
Issues, Directions, Actions

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I. INTRODUCTION

Article 22(1.8) of the recently amended Law on Local Government states that municipalities will be responsible for “establishing, financing, and administering primary and secondary schools in cooperation with the central government and in accordance with the law.”¹ This language clearly imposes on the national government an obligation to decentralize major education responsibilities to local governments. At the same time, however, the language is extremely broad, and the operational content of the terms “establishing, financing, and administering” remains to be specified.

Equally importantly, extensive discussions with key Macedonian policymakers and educators suggest that, while there is general agreement that some aspects of country’s education system should be “decentralized,” there is no consensus within or outside the national government about what decentralization should mean.² Indeed, our discussions indicate that the term means substantially different things to different people. Moreover, it seems that the debate on decentralization is taking place without much consideration of important issues of education policy. Finally, and perhaps most significantly, there is much confusion within the government about what needs to be done to transfer education responsibilities to local governments.

Given these questions and problems, this report has three purposes.

- First, to help clarify the key issues involved in education decentralization in general and in Macedonia in particular.
- Second, to outline the policy choices that must be made to ensure that decentralization improves the quality of Macedonia’s schools.
- Third, to define the steps the national government should take to make informed policy choices about education decentralization and to develop an implementation strategy that has clear objectives and procedures.

This is a tall order, the more so because we had limited time for interviews and because it was impossible to conduct anything but the most rudimentary analyses of expenditures in the sector. Such analyses are critical for both the formation of a rational decentralization strategy and its implementation. Indeed, as we argue later, one of the most important impediments to education decentralization in Macedonia remains the absence of a good data base on education spending, and the almost complete lack of serious studies of the allocation of resources in the sector.³

¹Law on Local Government of 24 January 2002, translation by M. Grbovich, Local Government Reform Project, USAID/DAI. Article 22 (1.8) also states that local governments will be responsible for “organizing the transportation of students and their accommodation in dormitories.”

²This paper is based on the analyses of Macedonia’s education system that are available in English and extensive interviews with educators and policymakers conducted by the author, Jan Herczynski, Liljana Ristovska, and Robert Rafuse 1–5 April and 6–17 May 2002. A list of reports consulted can be found in the bibliography. A list of the people interviewed is in Annex A. We would like to thank the Ministry of Education and Science for arranging many of the interviews and all those with whom talked for their time, thoughtfulness, and sincerity.

³To our knowledge, the UNESCO report on *Public Expenditure on Education in FYR of Macedonia* (June 1995) remains the only analysis available in English. It should be noted, however, that as far as we can tell the poverty of data and analysis on education finance has less to do with the raw data collected by the govern-

Nonetheless we hope that the report will be useful in at least four ways. First, we hope it will help create a common language in which Macedonian policymakers can continue the discussion of education decentralization. To this end, the report begins with a brief review of the “pros” and “cons” of education decentralization in general.

Second, we hope that it will increase the awareness of Macedonian policymakers of the complex interrelationship between decentralization in general and the specific challenges post-socialist countries have confronted in reforming their education systems. To this end, the second section discusses decentralization and education reform over the past decade in Poland. Here our purpose is not to hold up Poland as model for Macedonia. Instead, we use the Polish experience—both positive and negative—as a way to highlight issues that are only vaguely a part of the current debates in Macedonia.

After laying out the most salient issues with respect to education decentralization in general, and in post-communist countries in particular, the third section discusses the current situation in Macedonia. Here we discuss how ethnic politics interact with a set of more general reform issues to motivate, confuse, and complicate the education decentralization debate in Macedonia.

The report concludes with something that is neither a road map for the future nor a specific set of plans to implement one or another education decentralization strategy. Rather, it describes the key actions that should be taken to create the analytical basis for the formulation of a rational education decentralization strategy in Macedonia.⁴ Based on our experience in the region, and on what we think we know now about Macedonia itself, it sketches an outline of such a strategy.

ment then with how it is stored and used. For an analysis of these issues, and the steps that could be taken to correct them, see the companion piece to this paper by Jan Herczynski, “*Proposed Scope of Work for Analytical Support to the Ministry of Education and Science*” Macedonian Local Government Support Program, Spring 2002.

⁴The key analytical step is to understand the existing allocation of resources in the sector and to simulate what this allocation might look like under different territorial arrangements and education-reform scenarios. This step is discussed in detail in the companion piece to this report mentioned in footnote 3.

II. THE “PRO’S” AND “CON’S” OF EDUCATION DECENTRALIZATION

Throughout most of the developed world, responsibilities for financing and managing educational institutions are divided between the national government, subnational governments, and the communities that are directly associated with individual schools. The nature of this division differs significantly from place to place and it is fair to say that no country is entirely satisfied with the way it divides rights and responsibilities between local and national actors. In short, in the apt phrase of Kenneth Davey, all countries still seem to be searching for the optimal *balance* of roles and powers within their education systems.⁵

The reasons for this constant search and adjustment are not hard to find. On the one hand, no country can afford to think that it cannot improve its education system, and many clearly know they must if they are to be viable players on the world’s economic and political stage. On the other hand, there are good reasons to decentralize certain education functions and good reasons not to decentralize others. These reasons differ in relation to a country’s size, the specific challenges facing its education system, and the fiscal and managerial capacities of its local governments and its schools.

In sum, the pressures to improve school systems, combined with the context specific arguments for and against education decentralization, have led to a dynamic search for optimal balance everywhere. To appreciate the varieties of this endeavor, it is useful to review the main arguments for and against education decentralization.

A. Basic Arguments for the Decentralization of Education Responsibilities

In general, three fundamental arguments are made for increasing the financial and managerial responsibilities of local actors in an education system. The first argument relates to managerial efficiency and effectiveness. Here, the claim is that, because national ministries are farther from schools than the authorities of communities they serve, local policymakers are in a better position than their national counterparts to determine how scarce resources should be used. This argument underpins efforts to give local governments (and schools) more spending authority over the revenues the national government devotes to education by transferring these revenues—as grants—into the hands of local governments (or schools) and letting them figure out how they should be spent.⁶

The argument is also frequently extended to justify efforts to increase the taxing powers of local governments (and reduce the share of education expenditures paid for by the

⁵See Kenneth Davey (editor), *Balancing National and Local Responsibilities: Education Management and Finance in Four Central European Countries*, Local Government Initiative, Open Society Institute, Budapest 2002.

⁶There is an important distinction between transferring managerial powers and financial resources to municipalities for their schools, and transferring powers and resources directly to schools themselves. The debate on education decentralization should focus on the appropriate roles and powers of these two levels of administration, and not just on the division of powers between the national government and local governments, or between national governments and schools. For the moment, however, it suffices to say that, in countries such as Macedonia, where one of the most significant challenges facing the education system as whole involves the *restructuring of school networks*, we believe that some agent above the school level must be responsible for making fundamental decisions about how to allocate education resources among schools of different types, sizes and qualities. This agent this must be either the national government or some form of local authority. We return to this issue later in the text.

national budget) so that local governments become responsible not just for how education resources are spent, but—in part, at least—for how they are raised. Here, the argument is that managerial efficiency, effectiveness, and accountability are maximized when the community that benefits from the service is directly responsible for determining how much it wants to spend on it, and in what way. In short, residents can be counted upon to pay much closer attention to how money is spent if they perceive that their own tax dollars are involved rather than only transfers from the national government. Local responsibility for at least a share of the costs is also important so a municipality has the ability to increase or decrease funding from average. Without this ability, services have not really been decentralized, only deconcentrated.

The second argument is less about economics than it is about rights. Here, the claim is that communities have a fundamental right to exercise significant control over the education their children receive. In order to exercise this right, communities must have managerial and financial powers over their school systems. This argument is especially compelling in the post-communist world, in which the central government used the education system to impose a set of ideological principles on everyone. This argument can be combined with the first, but doesn't have to be.

The third fundamental argument for decentralization is less about rights or efficiency than it is about education itself. Here, the claim is that children learn more effectively when parents and the community play an active part in the life of schools, and that this kind of engagement cannot or will not happen unless communities have enough power over their schools to feel responsible for them. This argument can be combined with the other two, but doesn't have to be.

If one were to put these arguments together, push them to their extremes, and refuse to take into account any other circumstances, one would arrive at a vision of an education system that looked something like this. Local governments would be fully responsible for determining how much taxes their residents pay to support their school systems, and they would have complete authority for allocating this money to schools.

Local governments would also have control over curriculum decisions, the standards for hiring and firing teachers and school directors, and the fundamental responsibility for monitoring school performance. Meanwhile, some combination of school directors and school-based councils or boards would have significant control over the funds allocated to schools by local governments, as well as the programmatic flexibility to tailor their curricula and services to meet the needs of their particular pupils and parents.

As attractive as this vision may be, it has rarely been approached in practice. Even in America, state (provincial) governments control teaching standards and most curriculum issues. Indeed, while the national government continues to play a minimal role in America's education system, recent trends are toward greater state-level involvement in both school finance and in the monitoring of school performance.⁷ Thus, to understand why this radical

⁷Recent state Supreme Court decisions have forced many state governments to get more involved in school finance in order to equalize differences in education spending between rich and poor local governments. This is usually done by the state government providing additional funds to poorer jurisdictions. Sometimes, and more controversially, the state government places caps on how much richer jurisdictions can spend. Similarly there has been a trend to statewide testing of pupils because, until recently, the assessment of schools was almost entirely based on the subjective opinion of local communities. Curriculum and teacher standards have almost

vision of education decentralization is never fully realized in practice, it is necessary to review the basic arguments for national control of school systems.

B. Basic Arguments for National Government Control of Education

In general, the arguments for national control of education systems parallel those for decentralization, inasmuch as they are similarly based on economic, rights-based, and educational grounds.

The economic arguments for central-government control of education are based on the claim that education is a strange “good” whose societal and personal benefits are not immediately apparent to their “consumers” (parents or students) and which in fact manifest themselves only many years later. As a result, the argument goes, people (especially the poorly educated) tend to invest less in education than is good for them individually and for the society as a whole if left entirely to their own devices. Therefore, to ensure that the investment in education reaches socially desirable levels, the national government must step in.

This argument has been used to explain the massive expansion of public education systems in the 19th century and continues to have relevance today. It is often accompanied by a more strictly political argument that national control of schools, and particularly of school curriculum, is necessary to build the common identity, and the sense of citizenship, that is crucial for the functioning of a modern, democratic society.

The rights-based argument for national control of schooling is based on the claim that every citizen has a fundamental right to a basic education of reasonable quality.⁸ This equity argument is used, for example, to justify national control of education finance for the simple reason that it is hard to ensure that poorer jurisdictions will be able to provide educational services of reasonable quality. Here, in other words, the claim is that the national government must redistribute wealth among jurisdictions to ensure that equity is maintained. This can be done either by “equalizing” grants or by the direct provision of education services by the national government, although this rarely results in the degree of equality sought.⁹

In fact, this argument is often used in combination with the economic and political arguments outlined above to justify proportionately larger national government spending on poorer (and typically less-well-educated) population groups. In other words, the claim is that—for equity, economic, and nation-building reasons—the national government should spend more on disadvantaged and socially marginal groups in order to ensure their successful socio-economic integration into a democratic nation state.

Another expression of the same argument is that the state has the obligation to provide equal education opportunities to different social and ethnic groups, especially the ones vulnerable to discrimination. The racial desegregation of American education, to cite just one well

always been matters of state policy, because most state constitutions assign ultimate responsibility for primary and secondary education to the state government.

⁸Article 44 of the Macedonian Constitution states “Everyone has a right to education. Education is accessible to everyone under equal conditions. Primary education is compulsory and free.”

⁹One reason for this is that it is extremely difficult (and probably undesirable) to stop richer communities from finding ways to contribute additional funding to their school systems.

known example, though it occurred in a highly decentralized system, required decisions of the national Supreme Court and police action by national authorities.

Finally, the education argument for national government control of education is that the national government is best equipped to introduce the structural and curriculum reforms necessary for a society to meet its external challenges and, more importantly, that it is the only agent that can effectively control the quality of schooling. Education is a complex social endeavor, and its continuing reform requires—among other things—new curricula, new textbooks, and other education materials, which cannot be introduced and monitored solely by local governments.

Woven together, these arguments can be used to justify a centralized system of education in which the central government is fully responsible for finance and management (though management may be deconcentrated to regional or district offices of the education ministry) of schools and where, as it was claimed in 19th century France, the Minister of Education knows, on any given day and hour, not only how many children are in school, but exactly what they are being taught and by whom.

Again, attractive as this vision may be, it has rarely been approached in democratic countries. Even in France there is room for non-public schools and for some local influence over school management. Indeed, there seems to be a general tendency to increase the managerial and financial roles of both local governments and schools, if for no other reason than to reduce some of the inefficiencies associated with central planning.

C. Balancing National and Local Roles and Responsibilities

It should be clear from the above description of the basic arguments in the debate that, while one may find some of the arguments for or against decentralization more compelling than others, none is trivial. All of the arguments contain elements of truth.

For example, the proposition that people will be more careful, concerned, and engaged with an activity, here education, if they are directly responsible for paying for a significant share of the cost seems eminently rational. At the same time, however, the proposition that people may, out of ignorance, poverty, or both “buy” less education than is necessary to create a successful nation state is supported by the experience of many countries, including the U.S. where, as we have seen, local school districts almost universally receive substantial state support. In fact, these are not antitheses. Both forces are at work in the real world and are not necessarily contradictory.

Similarly, the proposition that local communities should have the right to influence the nature and content of the education their children receive and, if they do, will be more engaged in the learning of their children seems entirely reasonable. At the same time, however, there seems to be every reason in the world to ensure that all citizens share at least some common understanding of their collective identity, and that certain standards of quality are maintained throughout the nation’s schools.

Given these competing—but entirely rational—arguments, it should come as no surprise that most educational systems are not only mixed, but continually being adjusted and reformed in the search for the most socially satisfying, economically efficient, and educationally productive balance. Moreover, any decisions about the actual allocation of education

responsibilities in each country are constrained by the historical legacy of the education system and by the often-steep challenges it faces.

Making these judgments is, of course, not an easy task, particularly in post-communist countries where the arguments on both sides of the debate can be particularly compelling. For example, after years of single-party rule, the repression of national identities, and the devaluation of notions of citizenship, there still seem to be good reasons to use central control over education as a tool for both reestablishing lost traditions and preparing the nation for new challenges. However, the same historical legacies can be used to justify the decentralization of education on the ground that the best way to (re)establish democratic practices and habits is to increase local control over schools.

Similarly, after years of central planning and the inefficient management of at least some educational resources, it is easy to argue that giving local governments greater control over education expenditures—indeed, perhaps some responsibility for financing schools out of own taxes—would improve the use of scarce resources and more directly engage parents and taxpayers in the educational experiences of their children. At the same time, however, large differences in the size, relative wealth, and managerial skills of (newly created) local governments may be compelling reasons for being very careful about making local governments responsible for the financing their schools.

Finally, and perhaps least obviously, socialist efforts to eradicate illiteracy, socialist economic policies, and current demographic trends have left post-communist countries with large numbers of very small rural schools, and large numbers of increasingly archaic vocational institutions. On the one hand, it can be argued that the rationalization and restructuring of these institutions might be best carried out by a committed national government. On the other hand, it can be argued with equal plausibility that, not only are local governments in a better position to know how many and what kind of schools they need, but that for purely political reasons it is unlikely that the national government will be able to pursue the necessarily painful and contentious process of school consolidation and restructuring.

In short, not only are there compelling theoretical arguments for and against the decentralization of education, but making reasoned judgments about which of these arguments should be used to justify particular policy decisions in post-communist countries is far from obvious even for a dispassionate external observer. Thus, before discussing the situation in Macedonia, it is worth briefly examining how another country in the region has negotiated the difficult choices over the past 10 years.

Here we focus on Poland, not only because it is the country we know best, but because, with Hungary, it is the country that has arguably gone furthest with education decentralization, and has done the best by it.¹⁰ In saying this, we do not mean to suggest that Poland has resolved all its education problems. This is far from the case. Nor do we mean to suggest that Poland should serve as a model for education decentralization in Macedonia. Despite similarities, the countries are profoundly different, and Poland made numerous mistakes that Macedonia should be able to avoid repeating.

¹⁰For a more extended treatment of the Polish case, see T. Levitas and J. Herczynski, *Decentralization, Local Governments and Education Reform and Finance in Poland: 1990-1999*, in Kenneth Davey *Decentralizing Education in Post-Communist Europe*, Local Government Initiative, Open Society Institute, Budapest 2002. Between 1999 and 2001, the author and Herczynski served as principle advisors to the Polish Ministry of Education on the allocation of national government education resources to local governments.

What we do want to do, however, is to show how the conflicting arguments and forces described above have played themselves out in Poland into what might be called a dynamic equilibrium between local and national control over the country's schools.

III. EDUCATION DECENTRALIZATION IN POLAND

Education decentralization in Poland has been an evolutionary process whose most important stages were completed by 1999. It is interesting to note that the process in the 1990's was driven less by educators than by other reformers, who saw the creation of strong local governments as the best way to deconstruct the communist state, reconstruct civil society, and build new political parties.

Indeed, it is fair to say that, at least until the mid-1990's, the education community—including many reformers—was at best skeptical, and often opposed to giving local governments a significant role in the sector. Moreover, most of the reformers who entered the Ministry of Education in the early 1990's were not particularly interested in, or comfortable with, managerial or financial issues. Instead, they were primarily concerned with curriculum reform, both as a means to rebuild a national identity after 40 years of communism and as a way to prepare the country for a market economy.¹¹ In fact, when they thought about financial or managerial issues at all, it was mostly in terms of defending the national education budget from erosion. Meanwhile, the reformers who were pushing the creation of local governments were less concerned with education, *per se*, than with giving the governments wide competencies, clear rights, and robust resources.

In 1990, Poland created some 2,500 democratically elected municipal governments called *gminas*, and immediately endowed them with legal identities, independent budgets, and significant property rights. *Gminas* were also given a rather large share of the fiscal pie and have been able consistently to devote 20–25 percent of their annual revenues to investments.¹² This was exceptional, possibly making Polish *gminas* the most fiscally well equipped local governments in the post-communist world.

Polish reformers also chose to base the boundaries of *gminas* on the administrative jurisdictions that had been used by the previous regime. This helped Poland avoid the territorial fragmentation that seems to have accompanied the democratization process elsewhere in the region, to the detriment of the viability of local governments in those countries.¹³ Thus, local government reformers, while not particularly concerned with education *per se*, did create

¹¹To their great credit, Polish education reformers not only realized that the existing curriculum contained too many program hours and was overburdened by factology, but they resisted the temptation to introduce new programs simply by adding hours to the classroom day. They have also been relatively successfully in demonopolizing the textbook industry and opening the curricula to local and/or alternative teaching programs.

¹²It is beyond the scope of this paper to discuss the fascinating evolution of the Polish intergovernmental finance system. For the moment, suffice to say that, *on average*, Polish local governments derive about a third of their revenues from local taxes, a third from shares of the national corporate and personal income taxes, and a third from a general-purpose grant. The last has two components: a weighted per-pupil education subvention that we return to later, and an equalization component that guarantees poor jurisdictions at least 85 percent of the average per capita yield of shared taxes. See Levitas *The Political Economy of Fiscal Decentralization and Local Government Finance Reform in Poland, 1989-1999*, East European Regional Housing Sector Assistance Project, Project# 180-00034, Urban Institute, July 1999, Washington, pp. 1-58

¹³See Swianiewicz, Pawel and Mikolaj Herbst, *Matching economic development, efficiency in service delivery and local democracy: Size of local governments in Poland*. In Swianiewicz ed. *The Size of Local Governments in Transitional Europe*, Local Government Initiative, Open Society Institute, Budapest (Forthcoming)

the structural preconditions—reasonably large,¹⁴ and financially healthy *gminas*—for the eventual transfer of education to local governments.

In 1990, however, the reformers lost the battle to make *gminas* immediately responsible for both pre-school and primary education. Instead, *gminas* were transferred the ownership rights and managerial responsibilities for preschools and zero classes (the preparatory, non-obligatory education for 6 year olds¹⁵), but responsibility for taking over primary schools was on a voluntary basis until 1993, when it was expected to become compulsory. The Law on Local Government Revenues made *gminas* responsible for financing preschool education (and zero classes) out of their general revenues,¹⁶ but stated that they would receive grants from the national government for primary education sufficient to cover the operating and maintenance costs (including teachers' pay) of the schools they decided to take over.

Between 1990 and 1993, relatively few *gminas* decided to take over primary schools, with the very important exception of large cities. Indeed, continued resistance to decentralization from a variety of quarters forced the government to postpone the date for the compulsory assumption of primary education responsibility until 1996. Moreover, during this period, the Ministry of Education remained reluctant to give the *gminas* that did take over primary schools significant rights to influence what went on in them or who ran them. In fact the consensus seemed to be that the role of *gminas* in the sector should be confined to that of beneficent uncles: they should contribute money to their school systems, but otherwise keep their distance. In particular, the influence of *gminas* (even *gminas* that opted to take over responsibility for their primary schools) on the choice of school directors was very limited.

Local government reformers, however, continued to push forward a wider decentralization agenda, calling for the creation of new level of county (*powiats*) self-government that, among other things, was to be responsible for secondary education. In 1993, however, they were unable to pass the legislation necessary to create *powiats* and were forced to settle for allowing big cities to assume *powiat* functions on a voluntary basis. As a result, large cities—most of which had already taken over their primary schools—began to take over responsibility for some or all of their secondary schools.

At the same time, an increasing number of smaller *gminas* opted to assume responsibility for their primary schools. Indeed, by the mid-1990's it had become clear that *gminas* were actually improving the management of school facilities and making significant contributions from their general revenues to their school systems. As a result, opposition to education decentralization began to wane and, in 1996, responsibility for primary education became

¹⁴On average, both Polish *gminas* and Macedonian municipalities have about 16,000 residents. However, about 40% of Macedonian jurisdictions have populations under 5000 residents while this is true of only about 20% of Polish of jurisdictions. For an excellent discussion of the relationship between local government size, economic efficiency and democracy see Swianiewicz and Herbst cited above and Pawel Swianiewicz, *Size of Local Government, Local Democracy and Efficiency in Local Services' Delivery – International Context and Theoretical Framework*, in Swianiewicz ed. *The Size of Local Governments in Transitional Europe*, Local Government Initiative, Open Society Institute, Budapest (Forthcoming)

¹⁵Parents are not obliged to send their children to zero classes. If they choose to do so, however, local governments must provide them with schooling free of charge. This is not true for preschool education.

¹⁶Many reformers felt that communism had weakened the family and thus were not particularly concerned with ensuring that pre-school services were maintained. As we discuss later, this was probably one of the biggest errors of the reform process, particularly for poorer jurisdictions that at once needed these services to improve the educational chances of their children and were least able to pay for them out of their general revenues.

obligatory for *gminas*. Finally, in 1999, reformers succeeded in creating *powiats* and in transferring to them responsibility for all secondary schools.

As a result, democratically elected local governments now own, manage, and—most importantly—finance all schools out of a combination of their general revenues and a *weighted, per-pupil grant* provided to them by the national government.¹⁷ The pool of resources to be allocated to local governments for operating and maintenance costs of their primary and secondary schools is set by law at 13.6 percent of the national government’s total revenues.¹⁸ The Ministry of Education is responsible for determining the formula that is used to calculate the amount of each local government’s annual education grant.¹⁹

Over the years, the formula has undergone considerable change. At the moment, the most important weights give rural local governments 30 percent more money per pupil than urban ones, and *powiats* 15 percent more money per vocational school student than per gymnasium pupil.²⁰ The formula, however, does not provide local governments with any money for pre-school pupils or pupils enrolled in so-called zero classes. *Gminas* are expected to pay for these services out of their general revenues.

This means that the central government in general, and the Ministry of Education in particular, is no longer in the business of allocating resources to schools. Instead, it allocates funds to local governments and they have to decide how they want to allocate the money among their educational institutions.²¹ They also have the right to contribute additional funds from their general revenues to their school systems, both for infrastructure improvements and wage payments.

Local governments, however, must provide their schools with enough money to ensure that no class contains more than 34 pupils and that enough teachers are employed to satisfy the minimum curriculum requirements set by the national government at every grade level. They also have to pay teachers according to standards set in a national law, which also severely constrains their right to fire teachers or school principals. They can, however, pay bonuses to teachers and directors.

Over the decade, the powers of local governments to hire and fire directors, close schools, provide additional services, and assess the performance of schools have progressively increased. Indeed, it would no longer be fair to characterize the role of local governments in Poland’s education system as that of beneficent but distant uncles. On the contrary, they are

¹⁷Local governments also own, manage, and finance most non-school educational institutions, such as pedagogical counseling centers and in-service training facilities.

¹⁸The national government also provides a limited number of capital investment grants to *gminas* and *powiats* on a selective basis.

¹⁹The formula, however, must be discussed with the five officially recognized organizations of local government officials and approved by the Ministry of Finance.

²⁰There are also weights in the formula for primary school pupils transported to schools, for national minorities, special-needs pupils in integrated classes, special-needs students in special classes, and other groups of pupils or functions. Incidentally, we use the word “gymnasium” in its Macedonian meaning, referring to general academic secondary schools. In Poland, “gymnasiums” are obligatory lower-secondary schools (grades 7 through 9), while the general academic upper-secondary schools are called lyceums.

²¹It is worth noting that local governments also receive from the national government funds for all pupils enrolled in the private schools located in their jurisdictions. They must, however, transfer these funds to the private schools.

playing an increasingly active and constructive role in the management of the entire system. But before looking more closely at these successes, it is useful to examine some of the problems the Poles have encountered.

A. Problems with Education Decentralization in Poland

Education decentralization in Poland has been fraught with a number of problems, some transitional and some of a more important structural nature. Among the transitional problems are painful bargaining between the national government and local governments over the size of their education grants prior to the compulsory take over of schools and the use of a transparent allocation formula; conflicts over the closing and opening of schools prior to the Ministry's realization that local governments were generally doing this for good reasons; and conflicts over how much money local governments provided to the private schools located in their jurisdictions.²² In this section, however, we address only the major structural problems because it is these that are of greatest relevance to Macedonia.

The first and by far the most important problem in Poland concerns the high cost and low quality of many rural primary schools. As elsewhere in the post-communist world, Poland inherited from the past a large number of rural schools, schools that were largely responsible over the last 40 years for making literacy nearly universal, and to which people understandably are deeply attached.

Nonetheless, the steep demographic decline of the past decade, combined with migration from rural to urban areas, has left many of these schools with very small numbers of pupils. As a result, their per-pupil costs can be 5–7 times those of their urban equivalents. Worse, the quality of education these primary schools provide is low, in part because they cannot pay for the materials, equipment, and the additional services that urban primary schools—with lower basic costs—can afford and, in part, because they often teach children of poorly educated families, children who need especially good school care.

As we have noted, the formula used by the Ministry of Education to allocate education grants provides rural schools with one-third more funds per pupil than urban ones. Even with these additional funds, however, many rural *gminas* are faced with the painful choice of either closing schools and rationalizing their school systems or adding large amounts of their own (scarce) general revenues to the education subvention in order to keep ever-more-inefficient and poorly performing schools open.

Not surprisingly, this has produced serious conflicts between rural *gminas* and the central government, and between rural *gminas* and their residents in those (increasingly numerous) jurisdictions where local officials have decided to consolidate—for both financial and educational reasons—their school systems. What is critical to understand here, however, is that, as ugly as this problem is, and as much as it complicates decentralization, the fundamental problem is independent of decentralization itself. In short, someone has to take responsibility for consolidating small rural schools because demographic trends will only make the problem worse over time.

²²See the previous footnote.

Indeed, in Poland at least there is good reason to believe that, painful as rural school consolidation is, rural *gminas* have proven better at doing this than the national government. In part this is because rural *gminas* are closer to their schools and residents than the national government and thus are better equipped to find socially acceptable solutions. And in part it is because it is extremely unlikely that the national government would have had the political courage to begin this process on its own as a nationwide program.

The second and related problem concerns the decision by Polish reformers not to provide *gminas* with national budget funds for preschools and zero classes, forcing them to pay for these services out of their general revenues. Because the general revenues of rural *gminas* are significantly lower on a per capita basis than those of urban ones, the obligation to fund preschool and zero classes out of general revenues has placed an unfair fiscal burden on rural jurisdictions. Not surprisingly then, enrollment in rural preschools remains extremely low, and only 90 percent of rural six year olds attend zero classes as opposed to 100 percent of urban ones. From an educational point of view, this is particularly disturbing because virtually all international research suggests that the best way to improve the educational chances of socially and or economically disadvantaged children is to get them into the school system as early as possible.

The third problem, like the first, is structural and seems to afflict all post-communist countries to a greater or lesser extent. In short, communist industrialization policies bequeathed to Poland an education system in which approximately 60 percent of all secondary school pupils attended highly specialized, and increasingly archaic, schools that are in desperate need of restructuring. During the 1990's, students began voting with their feet, and directors began making changes in their profiles or converting them to gymnasiums.²³

Nonetheless, the *powiats* that took over secondary schools in 1999 now face a major challenge in restructuring them, a challenge complicated by the fact that many of these schools have per-pupil costs significantly higher than the amounts provided to *powiats* by the education subvention.²⁴ Moreover, with the exception of large cities, which are at once *powiats* and *gminas* and thus are entitled to both sets of statutory revenue sources, *powiats* have significantly lower general revenues to contribute to their secondary schools than *gminas*. This is because, when *powiats* were created in 1999, they were given a much smaller (relative) share of the fiscal pie.

As result, it is unclear whether rural *powiats*—like many rural *gminas*—will be able successfully to meet the restructuring challenges they currently face. Here again, however, it should be noted that, in the decade that preceded the transfer of secondary schools to local governments, the central government proved unable or unwilling to address this problem. Similarly, rural Polish *powiats* typically contain at least 3 or 4 secondary schools, a fact that should allow them to shift resources among them as their restructuring plans take shape. Finally, there is every reason to believe that *powiats* are in a better position to adjust the

²³This was especially the case with principals of larger school complexes, consisting of a number of vocational schools, who found it easier to open, within their complexes, new general-education schools

²⁴The education subvention gives *powiats* the average per pupil costs of all vocational schools, which is about 15 percent higher than that of gymnasiums. This however is an average cost and obviously some schools cost more and others less, forcing *powiats*—like rural *gminas*—to make painful decisions about how to allocate scarce resources among schools of different costs and qualities. For more on this critical issue of computing reasonable per pupil norms, see the companion piece to this report by Herczynski.

profiles of their second secondary schools to meet the particular needs of local labor markets than is the national government.

The fourth major problem with decentralization in Poland concerns the nature of the national legislation governing teachers' pay and working conditions. As noted earlier, this law makes it extremely difficult for *gminas* or *powiats* to fire teachers short of closing schools, and this makes rationalizing school networks and restructuring secondary schools more difficult than it needs to be.

Equally importantly, provisions in the Law on the Educational System and the Law on *Gmina* Revenues, mandate the national government to provide local governments with funds sufficient to cover their wage bills, not including whatever local governments contribute as bonuses. These provisions conflict with the per-pupil (and not per-teacher) way the education subvention allocates funds to local governments. Indeed, it is precisely the difference between an allocation system based on existing pupil enrollment and one based on existing teacher employment that is putting the most pressure on rural *gminas* to close rural schools.

Not surprisingly then, both rural *gminas* and the teachers unions are demanding that the government abide by these provisions. Doing this, however, would immediately place the burden of restructuring schools back on the shoulders of the central government, a burden it is happy at this point to have transferred to local governments. Moreover, it would require forbidding local governments to hire more than the minimum number of teachers necessary to meet the needs of the national curriculum.

Finally, and perhaps most importantly, it is unclear how decentralization will affect Poland's ability to meet its greatest educational challenge over the coming years: decreasing the gap between the educational performance of rural pupils and urban ones at all levels and increasing the percentage of rural pupils that attend and complete gymnasiums and university. On the one hand, it is clear that both rural *gminas* and rural *powiats* not only face more troublesome structural problems (and teach more difficult students) than their urban counterparts, but have fewer resources to work with. On the other hand, as we argue in the next section, decentralization of education did bring major improvements in the sector. One can hope that, given the right balance of local determination and central guidance, this problem can be resolved.

B. The Successes of Education Decentralization in Poland

Despite the serious problems with education decentralization in Poland, there is little question that, on the whole, it has been a success. The most general evidence of this success is that there are literally no serious political forces in the country demanding that the national government take back schools. Similarly, poll and interview data show that most parents and virtually all school directors think that local-government-run schools are an improvement over the past because administrative responses to their concerns and problems are faster and more effective.

It is also clear that local governments have contributed significant additional funding to their school systems. This has resulted in major improvements, not just in facilities and equipment but, in many areas (particularly large cities), in higher wages for both teachers and directors. Perhaps most importantly, local governments seem to be making ever more serious

(and generally rational) policy decisions about the structure of their schools and what goes on in them.

This can be seen from the fact that, as painful as school consolidation is, rural *gminas* have actually managed to increase average school and class sizes despite the steep demographic decline of the last decade. Moreover, *gminas* have been very successful in organizing the rational network of new lower secondary schools mandated in 1998. It can also be seen in the rapid increase in the number of pupils attending gymnasiums, something that would not have been possible without the support and cooperation of the urban jurisdictions that began to take over secondary schools in the mid-1990s.

Similarly, there is little evidence that *gminas* have used schools or their powers over school directors for political purposes.²⁵ On the contrary, *gminas* seem to be becoming ever more engaged in monitoring the performance of their schools, and improving their quality. For example, many local governments are now organizing and financing in-service training for their teachers and directors. Others are supporting programs that encourage parents, teachers, and pupils to assess their schools and draw up action plans to address the problems that they define. And still others have run out ahead of the national government and hired outside experts to test the skills of their children in order to identify high- and low-performing schools.

In short, and despite the continuing and very serious problems of the Polish education system, it is generally recognized that decentralization in Poland has led to better use of scarce resources and greater involvement of local communities—both financially and substantively—in their school systems.

C. Lessons from the Polish Experience

The first and perhaps most important lesson of the Polish experience is that the relative success of education decentralization has been in large measure due to the fact that *powiats* are relatively large and *gminas* enjoy relatively healthy financial circumstances.

Their size has ensured both that most *gminas* have a number of primary schools, and that *powiats* have a number of secondary schools. This has made easier for the national government to allocate resources on the basis of the average costs of schools and, more importantly, easier for local governments to allocate resources and rationalize expenditures among high- and low-cost schools.

Meanwhile, the fact that *gminas*, (and urban *powiats*) have been endowed with substantial general revenues enables them to contribute additional funds to their school systems. Hence they have been able to make significant improvements in their schools. It has also allowed them to weather the inevitable difficulties generated by the shift from historical (incremental) budgeting to formula-based funding.

The second important lesson of the Polish experience is that, even given these relatively good background conditions, decentralization was an incremental process that lasted 10

²⁵There is, of course, much anecdotal evidence of local officials securing jobs for their families and friends. But these perhaps unavoidable practices are quite distinct from politically motivated nomination of school directors.

years, and that in large measure began on a voluntary basis. This at once allowed local governments to grow into their new roles within the sector, for Ministerial officials to gain confidence in their abilities, and for legislation and funding methods to evolve over time.

The third major lesson is that Poland, like other post-communist countries, has had to confront both the problem of small rural schools and the problem of archaic secondary institutions, problems that, though independent of decentralization, profoundly complicate the endeavor.

The fourth major lesson of the Polish experience is that it was probably a mistake not to have provided national funding to *gminas* for pre-school education in general and zero classes in particular when *gminas* were made responsible for this institution in 1990. This decision placed an unfair fiscal burden on precisely the *gminas* whose children needed these services the most, and whose parents were least able to pay for them privately. Equally importantly, it was probably a mistake not to have made zero classes compulsory at the moment of decentralization because this would have dampened the financial pressures placed on rural jurisdictions to reduce teacher employment, and to close rural schools.

With both the general dilemmas of decentralization and the Polish experience in mind, we now turn to the situation in Macedonia.

IV. ISSUES CONCERNING EDUCATION DECENTRALIZATION IN MACEDONIA

As in Poland, the main impetus for education decentralization in Macedonia is political, and its most vocal advocates come from outside the education community. But unlike in Poland, it is not the politics of de-communization that is driving the process. In Macedonia, it is the politics of ethnicity, though this is by no means the only—or even the most important—dimension of the debate.

There are many forces behind the effort to decentralize education in Macedonia today. Many local officials and reformers of all ethnicities and political colors believe that local governments should have greater control over their school systems. There also appears to be a wide consensus in the education community that the existing system is overly centralized and should be reformed. Most importantly, the current government is committed to a multi-stage approach to decentralization in which, during the proposed first stage, ownership of primary-school facilities would be transferred to municipalities.

We return to this strategy later in the text. For the moment, what we want to stress is that the political impetus behind decentralization in general and the decentralization of education in particular has in some ways—as it did in Poland in the early 1990s—overshadowed a more substantive discussion about the relationship between education decentralization and the larger challenges facing Macedonia's school system. In other words, much of the current discussion treats the decentralization of education as an end in itself, instead of as an instrument to improve Macedonia's education system as a whole.

As such, we think it is useful to begin the discussion by reviewing some of the major structural challenges that the Macedonian education system will face over the next decade, setting these challenges within the context of the decentralization debate.

A. Demographic Change and the Problem of Small Rural Schools

As elsewhere in the region, Macedonia is experiencing a steep decline in birth rates.²⁶ Moreover, and more than other countries in the region, the country has experienced significant internal migration from the countryside to urban areas. As a result of both migration and demographic decline, Macedonia has an increasing number of small rural schools. In addition, significant numbers of local governments have schools that serve small numbers of pupils.

For example, out of the 124 Macedonian municipalities, 4 have only one school, and 9 have more than one school but fewer than 100 students in total, and average class sizes under 12. Moreover, almost 38 percent (47) of all jurisdictions have schools systems that average less than 100 children per school, and 22 percent (27) of all jurisdictions have school systems that average less than 15 pupils per class (See Appendix A).

These schools are very costly. Worse, despite their high costs, they lack the resources to provide their pupils—often from poor, and poorly educated families—with anything like the quality of schooling that larger, more efficient urban schools can provide. Small, high-

²⁶This is true for all ethnic groups. See State Statistical Office, *Statistical Yearbook of the Republic of Macedonia*. Pg. 64.

cost rural schools also create major problems for any effort to decentralize control of primary schools to local governments. To understand why, it is necessary to look a little closer how schools are currently financed.

At the moment, the national government is *generally* allocating money to schools on the basis of the number of classes (*paralelki*) they have, while reimbursing them for the costs of heating fuel, water, and electricity. Over the past 10 years, fiscal retrenchment has forced the national government to lower standards by increasing normative class sizes and thereby reducing the amount of money schools receive for teachers' pay, administrative personnel, education materials, and maintenance supplies.

While we have not been able to examine the numbers, our sense is that this has led to the fairly uniform funding of urban primary schools on a per-pupil basis because the Ministry seems to be fairly rigorous in forcing schools to have classes close to the legal maximum wherever this is possible.²⁷ It is, however, impossible for the Ministry to do this with schools that have 10, 20, or even 50 pupils. As a result, it is entirely likely—as is the case in Poland and other countries of the region—that the per-pupil cost of (badly) educating children in small rural schools is to 2-5 times the cost of educating them in larger schools.

Macedonia cannot afford to keep doing this in either financial or educational terms. Moreover, the problem will get progressively worse as the number of children entering primary schools continues to decline. In short, a significant share of the national budget for primary education will go to support an ever-smaller number of pupils unless efforts are made to rationalize school networks.

Thus one of the most important problems facing the government is who is going to be responsible for the politically painful process of rationalizing school networks—the national government or municipalities. As we have seen, in Poland this burden has been handed over to local governments, producing all sorts of conflicts and tensions. Nonetheless, Polish rural governments are in fact consolidating their school systems and the situation is slowly improving. Moreover, there are good reasons to suspect that no national government in Poland would have had the sustained political will and planning capacity to carry out this unpleasant and contentious task from Warsaw.

This may or may not be true in Macedonia. Indeed, despite the small size of the country we see little reason to think that the Ministry of Education and Science will find it easier to consolidate school networks than its Polish counterpart. But what we want to stress here is that, if local governments in Macedonia are going to be responsible for consolidating schools, then at least four conditions must be met.

- Municipalities must have the right to close schools.
- Municipalities must know that they will be expected, where necessary, to consolidate their school networks, and they must be prepared for the task.
- Municipalities must be large enough, and have enough primary schools, to shift resources and pupils among schools if they are to be able to rationalize their

²⁷ It is possible that, even in urban areas, spending per pupil and indeed per-*paralelki* spending could differ significantly. We are sure however, that per-pupil spending differences between urban and rural areas must be even larger, given the size of rural *paralelki* and the costs of maintaining small facilities.

networks. Similarly, they should be large enough so that most of the transportation issues created by school consolidation can be resolved within the jurisdiction.

- In order to push municipalities with large numbers of small rural schools toward consolidation without forcing them to close schools over night, the central government must develop a strategy for slowly decreasing the amount of *additional* (per-pupil) funding these jurisdictions currently receive in relation to jurisdictions with larger schools.²⁸

In fact, even if the government were to decide to consolidate rural school systems prior to decentralizing responsibility for them to local government, it would have to develop such a financial strategy, if for no other reason than to establish criteria by which to judge what size rural schools the country thinks it can afford.

We also think that making local governments the owners of school buildings without also making them responsible for teachers' pay and the redeployment of labor within their school systems could block school consolidation because the power and responsibility for this difficult issue would be divided between them and the national government. We return to both these issues later in the report.

For the moment, however, we think it is worth emphasizing that the development of such a strategy should be conducted in relationship to the government's plans to make zero classes compulsory.²⁹ On the one hand, compulsory zero classes will reduce some of the pressure to close rural schools by increasing their efficiency. On the other hand, they will create demand for teachers displaced by school closures. In short, we think that—for political, financial, and educational reasons—zero classes should be made compulsory at the same time that efforts are made to consolidate school networks, particularly if municipalities are going to made responsible for this difficult, but absolutely necessary, task.

More generally, the problems associated with the restructuring of primary education in rural areas mean that making rational strategic choices will require:

- analysis of class sizes and per pupil spending in the past few years (by major spending category), including demographic projections for all the jurisdictions;
- analysis of distribution of schools among jurisdictions; and
- analysis of transportation patterns and costs, including projections based on demographic estimates and the number and size of jurisdictions.

²⁸In saying this we do not mean to suggest that rural local governments should not receive more funding per pupil than urban jurisdictions. On the contrary, this is liable to remain both necessary and desirable for the foreseeable future. The question, however, is how much additional funding. At the moment, this question not even being asked.

²⁹Ministry of Education and Science, *Education Strategy, 2001-2010*, prepared under Minister Novkovski.

B. Preschool Education and other Youth Issues

Even though the amended Law on Local Government states that municipalities should own, manage, and finance kindergartens, and that they have competencies in the area of preschools, culture, and sports, the current discussion of education decentralization seems to be limited to primary and secondary schools.³⁰ This probably reflects the fact that responsibility for the services is not in the hands of the Ministry of Education and Science but is divided between the Ministry of Labor and the Ministry of Culture and Sports. But whatever lies behind the situation, we think it would be a serious mistake not to consider these services in relationship to education decentralization for two major reasons.

The first, and in some ways most important, reason is that one of the primary objectives of any effort to decentralize education responsibilities to municipalities should be so that they can develop integrated and innovative strategies for the overall development of their youth. Obviously, this will be impossible if responsibilities for primary and/or secondary education are transferred to municipalities but responsibility for these institutions remains spread across several other ministries.

The second, and more practical, reason for considering decentralizing these services to municipalities is that there is substantial evidence that the way the central government currently funds them is neither effective nor efficient. As a result, there is reason to believe that municipalities could substantially improve these services even at current levels of public expenditure.

For example, an assessment of youth institutions by UNICEF shows that the number of children making use of Culture and Pioneer Houses, as well as the level and quality of the activities they organize, differs substantially from place to place.³¹ Moreover, in most places the space of these institutions is underutilized. The report came to similar conclusions about sports facilities.³²

This suggests that municipalities could make better use of these institutions if they owned them, and if the shares of the national budget that are currently spent on them were transferred to municipalities, perhaps as part of a categorical grant for education and youth services.³³ Some municipalities would then choose to close the institutions and use the money for contracting out youth services to private entities and NGO's. Others would choose to

³⁰Article 22 (1.7).

³¹UNICEF, *Assessment of Needs and Resources for EECD and Youth*, Spring 2001.

³²It is also worth noting that these facilities were often built by local governments through voluntary local taxes and then nationalized after the collapse of communism.

³³Here, as elsewhere, it should be noted that allocating to municipalities what the national government currently spends on these institutions will be easier, the larger are the municipalities. This is because the distribution of these institutions across the country is very uneven. If jurisdictions are small, large numbers of them will have no such institutions, and a few will have a lot. As a result, if the government allocates funds for these services on the basis of where these institutions are currently located, many municipalities will receive no funding. If, however, the government allocates funds on the basis of the potential number of users in each municipality (for example, school-age children), as it really should, then many jurisdictions will not receive enough money to keep the existing institutions open. Indeed, this problem will manifest itself—but much less dramatically—even in larger jurisdictions. We return to this problem later in the text, and in greater detail in the companion piece to this report by Herczynski. By a categorical grant, we mean a grant that can only be spent on youth or educational services, though not necessarily only on the current institutions that provide these services.

improve the use of these institutions by increasing the number of children they serve. And most would probably pursue a mixed strategy.

Similar, but more sensitive, issues arise when considering preschool education and zero classes, some of which are provided in kindergartens and some of which are provided in primary schools. On the one hand, there is a huge international literature demonstrating that early childhood education (pre-school and zero classes) is particularly important in improving the educational chances of socially disadvantaged groups and for integrating multi-ethnic communities. For this reason, it is important that Macedonia make efforts to increase the very low share (18.45 percent) of pre-school and zero-class age children who currently receive such services.³⁴

On the other hand, as can be seen from Table II, Macedonia currently spends almost twice as much per pre-school pupil than it does on primary school children. Moreover, 10 percent of the all pre-university education expenditures go to support the 6 percent of all pre-university pupils enrolled at the preschool level. Most importantly, despite high demand for preschool education in some places (particularly Skopje), in other places many preschools lack pupils and are underutilized.³⁵

TABLE II
Per-Pupil Expenditures by Educational Level, 1999-2000

	Totals	Preschool (0-6)	Primary School	Secondary School
Number of Pupils	363 987	22 000*	252 212	89 775
Total Expenditures	7 205 705 898	713 721 000	4 544 361 254	1 947 623 644
Expenditures Per Pupil	-----	32 442	18 018	21 694
% in relation to Primary	-----	180%	100%	120%
% of Education Budget	100%	10%	63%	27%
% of pupils	100%	6%	69%	25%

Source: Own calculations on the basis of data from Ministry of Labor and Social Policy and OECD Report, *Thematic Review of National Policies for Education – FYRoM* (September 2001, Skopje).

*The enrollment numbers do not include about 16,000 6 year olds who receive zero-class training in primary schools. The money supporting these children, however, comes from the Ministry of Education and Science.

This suggests that a combination of better management—including subcontracting of services to private entities and NGO's and some loosening of unaffordably high standards—could produce both a decrease in the per-pupil costs of preschool education and an increase in enrollment at existing levels of expenditure.

In Central and Eastern Europe, education decentralization has often begun with the transfer of responsibilities for preschools to local governments. This is because pre-school education is not obligatory and there are usually less fewer constraints on how preschools have to be organized. Taken together, these conditions make it easier for local governments to adapt both the level and nature of the services to their needs. In any case, it seems clear

³⁴OECD, *Thematic Review of National Policies for Education – FYRoM* (September 2001, Skopje), p. 8 data for 1998/99.

³⁵UNICEF, *Assessment of Needs and Resources for EECD and Youth*, Spring 2001, and interviews with officials of the Ministry of Labor and Social Welfare.

that the debate over the decentralization should be extended to include discussion of pre-schools, kindergartens, and the cultural and sports facilities that currently serve Macedonian children.

In order for this discussion to proceed in an orderly way, the following types of data must be analyzed:

- the distribution of preschools, kindergartens, cultural institutions, and sports facilities nationwide;
- the percentage of the relevant populations these institutions currently serve in different areas;
- the per-pupil or per-user costs of these institutions; and
- the variation between per-pupil/and or per-user expenditures in existing municipalities in relation to possible future municipalities.

C. The Problem of Restructuring Secondary Schools and their Existing Distribution

As in many other post-communist countries, approximately 50 percent of all Macedonian secondary school pupils attend vocational schools, 32 percent in degree-granting (matura) four-year programs, and 16 percent in non-degree-granting three-year programs.³⁶ Many of these vocational schools are narrowly specialized and focused on increasingly archaic trades and professions. Indeed, as elsewhere in the region, students have begun to vote with their feet, demanding places in gymnasiums and the better vocational programs or, more disturbingly, by choosing not to attend schools they consider irrelevant to their futures.³⁷

As a result, it is fairly clear that, not only will vocational schools have to undergo considerable restructuring in the near future, but efforts will have to be made to convert some of them into gymnasiums. As with the consolidation of rural schools, these needs raise the question of who should be responsible for restructuring secondary schools, the national government or local governments. It appears that this question has yet to be addressed in the current discussion of education reform.

More importantly, and more generally, the existing distribution of secondary schools is extremely uneven. In fact, only 39 of Macedonia's 124 municipalities (33 percent) have any secondary schools at all and, of them, more than half (23) have only one school.³⁸ This distribution of secondary schools, like the need to restructure many of them, raises serious problems for any effort to decentralize secondary education.

First, the distribution is liable to create demands on the part of municipalities lacking secondary schools to have new schools built in their jurisdictions, demands that may not be

³⁶National Observatory Center, *Review of Vocational Education and Training System* (January 2001), p. 17.

³⁷UNICEF report.

³⁸Statistical Review: Primary, Lower Secondary and Upper Secondary Schools in the Republic of Macedonia at the end of 1999/2000 School Year. p. 33.

rational in terms of economies of scale and that may be hard for either the national or local governments to afford.

Second, if the per pupil costs of secondary schools differ significantly,³⁹ it will be difficult for the national government to allocate what it currently spends on secondary education to municipalities on a normative—as opposed to historical—basis. This is because many of the municipalities whose per-pupil costs are above average are also likely to have only one or two secondary schools, making it very hard for them to adjust pupils and resources among schools to bring them into line with per-pupil funding levels. Similarly, it will be difficult for municipalities with one or two schools to shift resources and pupils around in order to restructure them.

Finally, one of the main reasons to decentralize education responsibilities is to encourage municipalities to contribute additional resources to their schools. If, however, large numbers of students actually commute from other jurisdictions, then any contribution of additional revenues (revenues above those received from the national government for secondary schools) by the jurisdiction that owns and manages the schools amounts at least in part to a subsidy for the tax payers of the other jurisdiction. If, for example, 50 percent of the pupils going to school in a given municipality actually reside elsewhere, then 50 percent of whatever resources the municipality that runs the school system contributes to it, is actually being spent to support “foreign” children.

This is an unhealthy situation because, eventually, either one of two things typically happens:

- (1) The municipality stops contributing additional resources to the school system, defeating one of the purposes of the exercise.
- (2) The municipality tries to ensure that the additional money it is spending benefits only its own students by, for example, attempting to limit the access of “foreign” students to its better schools.

Given the uneven geographic distribution of secondary schools, and the problems with restructuring them, it may be advisable to postpone the decentralization of secondary education until existing municipalities are consolidated, or decisions concerning a possible second tier of local government are made. In any case, further consideration of the decentralization of secondary schools should be preceded by:

- An analysis—conducted in the context of demographic trends—of the need for new schools in particular areas.⁴⁰
- An analysis of the relative costs of different types of secondary schools.

³⁹We have had no opportunity to examine the relative costs of different types of secondary education. The Polish experience is that there can be very significant differences in these costs. For example, many of the least desirable vocational schools proved to have per-pupil costs 4 to 5 times those of gymnasiums.

⁴⁰Here it is worth noting that the demographic peak caused by the children of the post-war baby boom is now passing through the secondary school system. This means that purely demographic pressures to build new secondary schools will subside in the near future.

- A strategy for increasing gymnasium enrollment that considers the supply of facilities and teachers.
- Further consideration whether the national government or municipalities should be responsible for restructuring secondary schools.

D. Equity and Access to Secondary Schools

Ethnic-Albanian children make up about 30 percent of all primary-school pupils. This corresponds roughly to the share of such children in the total school-age population. In other words, the access of these children to primary schools is essentially equal to that of their contemporaries from other ethnic backgrounds⁴¹. At the secondary-school level, however, only 15.6 percent of all pupils are ethnic Albanian and, at the university level, the figure is 6 percent.⁴²

The factors behind the under-representation of ethnic-Albanian children at the secondary and tertiary levels are complex. They are also beyond the scope of this report.⁴³ What should be clear, however, is that addressing this issue will require additional public spending on the education of ethnic-Albanian (and other minority) Macedonians for many years to come. Figuring out how to raise these additional resources and how they can best be spent will be difficult both because of Macedonia's austere fiscal situation and because the sources of the problem are complicated, with deep historical roots.

While it is of the utmost importance that the country devotes serious attention to this problem, the problem itself is conceptually distinct from the issue of decentralization, *per se*. In other words, while we think that Macedonia must develop a clear national strategy for improving the access of minorities to quality secondary schools—a strategy that should be built on transparent financial plans and that might well be linked to decentralization—decentralization itself should not be seen as the primary instrument for addressing this issue.

More generally, the constitutional right of all children to be taught in their mother tongues has tended to produce segregation of pupils by ethnicity within schools. Over the past decade, and in particular since the outbreak of violence last year, there appears to have been increasing pressure to segregate pupils by ethnicity. The pressure for “separate-but-

⁴¹ This does not necessarily mean that primary schools serving different ethnic groups are necessarily of equal quality. For example, in some predominantly Albanian jurisdictions primary school classes are significantly larger than the national average. See Appendix A.

⁴² The available data allow for the determination of the number of secondary school students taught in a given language, not by ethnicity. Because there are ethnic-Albanian secondary students who elect to be taught in Macedonian, the statistics understate the number of ethnic-Albanian children in secondary schools, but probably not by much. We have not yet been able to determine whether the distribution of ethnic-Albanian pupils among different types of secondary schools is similar to that of the rest of the pupil population.

⁴³ It seems clear that a substantial reason for some of the under-representation lies in the reluctance of some in the ethnic-Albanian community to send their daughters to secondary school. The educational levels of these parents are also lower than those of their Macedonian counterparts. This means that, unless the education provided to ethnic-Albanian children in preschools and primary schools is particularly good, they will generally do less well than their classmates on competitive entrance exams to secondary schools. A combination of the demographic shifts and the historical distribution of secondary schools may also make it harder for ethnic-Albanian children to get to secondary schools near where they live. Finally, all sorts of more and less subtle forms of self-selection and discrimination are probably also at work.

equal” educational institutions, while understandable, bodes ill for both minorities and the country as a whole. For minorities, it is likely to isolate their children in schools of lower quality. For the country as a whole, it offers little support for inter-ethnic cooperation, to say nothing of integration.

More prosaically, and of more immediate concern, the pressure for “separate-but-equal” schools will complicate the effort to decentralize education responsibilities to municipalities in at least two ways. First, efforts to separate ethnic groups will make it difficult to carry out the jurisdictional consolidation necessary to ensure that municipalities have the means (assets, financial resources, managerial capacity) to rationalize primary schools and restructure secondary schools.

Second, once jurisdictional consolidation takes place, as is both necessary and planned, the creation of “separate-but-equal” schools in then-ethnically-mixed jurisdictions (because of jurisdictional consolidation) is likely to be considerably more expensive than having pupils attending schools that serve multiple ethnicities, and which might even provide some schooling in ethnically mixed classes.⁴⁴

Given our understanding of the challenge of increasing the access of ethnic-minority children to quality secondary schools, the problems caused by the existing geographical distribution of secondary schools, and the need for restructuring, we are skeptical about the immediate prospects for devolving responsibilities for secondary education to municipalities. Moreover, we think—as we do with respect to primary schools—that simply transferring to existing municipalities responsibility for school buildings in order to meet the national government’s obligation to make progress on decentralization, and before addressing the more important structural problems discussed above, would be a serious mistake.

Instead, we think that energy and resources would be best spent conducting the considerable analysis and negotiation that will be necessary to develop a clear, financially realistic plan for ensuring equitable access to secondary education by all Macedonians. The analysis should be conducted in conjunction with thinking about jurisdictional consolidation, the decentralization of education responsibilities to municipalities, and the search for ways to avoid further segregation of ethnic groups.

⁴⁴This will be particularly true if the effort to create separate schools for each ethnic group leads to a significant decline in pupil-teacher ratios.

V. PREPARING EDUCATION DECENTRALIZATION IN MACEDONIA: WHAT NEEDS TO BE DONE?

It took 10 years for Poland to complete the structural reforms necessary to transfer responsibilities for primary and secondary schools to local governments and, even now, these responsibilities remain limited in important ways. There is no reason to believe that the process in Macedonia can or should proceed any more quickly. As elsewhere in the region, a carefully phased approach to the transfer of significant education responsibilities to local governments—the only approach experience shows can avoid serious deterioration in the quality of education—can be expected to take many years.

This does not mean, however, that significant steps cannot be taken immediately. The most obvious would be to increase the role of municipalities in the selection of school directors, while simultaneously creating a set of procedures and professional standards that would ensure that only qualified candidates could actually hold the position. There are many ways this could be done, though in Macedonia it would seem that the simplest would be simply to increase the powers of municipalities with respect to school boards, to clarify the professional requirements of school directors, and to reestablish the authority of school boards to hire directors (for specified terms).⁴⁵

But whatever method is chosen, increasing local control over school directors is important for two reasons. First, there is virtually unanimous agreement that the current system of Ministerial appointments has politicized the process of selecting school directors and led to instability at the school level. Second, and equally important, it is necessary to establish an organic link between municipalities and their schools. Otherwise, it is unlikely that they will make the kinds of financial contributions and managerial efforts that are so essential for the decentralization process to move forward. In any case, we see no reason why the necessary legislation and ordinance concerning school boards, the professional qualifications of directors, and selection procedures should not be prepared and adopted this year.

We are skeptical, however, about the idea of immediately transferring ownership of primary-school facilities to existing municipalities, and particularly skeptical about doing this for secondary schools. With respect to primary schools, the reasons we are skeptical are relatively simple and straightforward.

First, many municipalities would be given ownership of primary-school facilities that really should be consolidated into larger networks. These networks would necessarily—given the existing territorial division—be spread out across a number of local governments, making it making it difficult for any one of the municipalities to achieve savings by reallocating resources among schools.

Second, and perhaps even more problematically, transferring ownership over school facilities to local governments while maintaining the national financing of teachers pay, would divide responsibility for school consolidation between levels of government in a way that would be liable to block or postpone decisions that should be made as soon as possible.

Third, and most generally, the large variation in the size and wealth of Macedonia's municipalities will make it difficult to ensure that many existing jurisdictions have the fiscal

⁴⁵It is worth noting that the Republic of Serbia has recently done just this.

and managerial resources necessary to assume even limited responsibilities in the education sector. To put it another way, it is much easier to imagine successful decentralization after jurisdictions are consolidated.

Meanwhile, and with respect to secondary education, the transfer of facility ownership to municipalities would create a different set of problems. Because most secondary schools are located in urban areas, it is conceivable that these jurisdictions might actually be able to generate some additional revenues for their schools. The schools, themselves, however would still be serving a large number of students from surrounding jurisdictions. As a result, a significant percentage of any additional resources that urban jurisdictions might actually contribute to “their” schools would in fact benefit “foreign” children. Eventually, urban taxpayers would be likely to object to this, forcing authorities either to reduce the own-financed spending or, more likely, to limit the access of “foreign” students to their better schools. Given both the need to restructure Macedonian secondary schools and existing ethnic tensions, the latter possibility is particularly disturbing.

More generally, as stressed in the previous section, we do not believe that, under current political circumstances and jurisdictional arrangements, it is possible that the decentralization of secondary schools could actually help resolve the problem that seems to be motivating the effort in the first place: increasing the access of minority students to quality secondary education. Instead, we think that the general problem of access must be examined first, and then the strategies developed to deal with it, integrated into a larger decentralization policy.

In short, we do not think that the fundamental preconditions for decentralizing significant managerial and financial responsibilities in education to municipalities are yet in place. From a structural point of view, the most important precondition is the creation of larger jurisdictions that will have some chance of generating significant revenues from their own sources and of rationally allocating resources among a number of schools.⁴⁶ From a policy point of view, the most important preconditions concern the relationship of decentralization to other critical problems in the sector. Specifically:

- Who, and under what conditions, is going to be responsible for the painful but necessary task of rationalizing rural school networks?
- Who, and under what conditions, is going to be responsible for restructuring existing secondary schools?
- Who and under what conditions is going to be responsible for integrating and restructuring the delivery of early childhood education and youth services?
- How is the access of all Macedonians to quality secondary and tertiary education going to be improved?

The minimum condition for rational decisions about any of these policy issues is the availability of serious analyses of the existing allocation of education resources by level of

⁴⁶Given that an increase in the overall tax burden on Macedonians is both unlikely and undesirable, the ability to generate “own” revenues in the near term is likely to depend on municipalities’ more efficient collection of existing taxes, privatization, and overall economic growth.

education, jurisdiction, and type of expenditure (wages, OM, capital) in relation to demographic and enrollment trends. To our knowledge, none of this work has been conducted in Macedonia, and the discussion of education finance in Macedonia is quite underdeveloped. Indeed, we know of only one (English language) paper that attempts to examine education finance in post-socialist Macedonia.

Curiously, however, this does not seem to be the product of bad (raw) statistics. On the contrary, Macedonia's systems for collecting education data appear to be fundamentally sound, and certainly better than comparable systems in Poland. The problem lies elsewhere. First, nobody seems to have taken the first but crucial step of linking financial data from schools with enrollment data from schools. Second, the Ministry of Education and Science has not developed or fully utilized the analytical skills necessary to conduct such work. And, third, authority for the sector as whole remains divided between the Ministry of Education and Science and the Ministry of Labor and Social Welfare.

Thus we think it is critical for the Ministry of Education and Science to begin to conduct the analytical work whose importance is stressed throughout this paper. We also think that similar analytical work should be conducted with respect to the preschools and kindergartens controlled by the Ministry of Labor and Social Welfare, and the youth-related cultural and sports facilities controlled by Ministry of Culture and Sports.⁴⁷ If such work began immediately, we believe that by the late fall of this year it would be possible to make some critical judgments about the appropriate size of local governments with respect to education and, equally important, how the issues of primary-school consolidation, secondary-school restructuring, and increasing minority access to secondary and tertiary education should be conceived in relation to decentralization.

Without such analyses and policy decisions, we think it would be premature to transfer ownership and management rights for schools to *existing* local governments. If however, jurisdictions of reasonable size and fiscal capacity are created, we think it would be desirable to begin the process of education decentralization by immediately transferring to municipalities the assets, the management responsibilities, and budgetary resources (through a categorical grant) associated with preschools, kindergartens, and non-school youth-related facilities. These assets are currently underutilized and their budgets fairly robust—at least in relationship to primary and secondary schools. In other words, municipalities should be able to make real improvements in the quality of these services within existing budget constraints because the assets are now inefficiently used.

Because both the rationalization of rural school networks and the decentralization of responsibility for secondary schools raise substantially more complicated issues, we suspect that a more evolutionary strategy should be pursued in these elements of the sector. Here we see two basic possibilities that could be mixed in practice. The first would involve—as was done in Poland—allowing local governments to assume voluntarily new education responsibilities on the basis of bilateral agreements with the national government. As it became clear how municipalities were performing, and what corrections needed to be made, the system could be extended to all jurisdictions. The second would involve transferring more limited

⁴⁷In this context, we think it would be desirable to establish an inter-ministerial working group on education decentralization, and that Parliamentary oversight over preschool, primary-school and secondary-school issues be placed under a single committee.

responsibilities to all (larger) local governments—such as facility ownership—and then progressively expanding these responsibilities over time.

Either way, however, the immediate place to start is by increasing the powers of municipalities over the selection of directors by reinvigorating Macedonia's once-vital school boards; by conducting the analytical work necessary to understand and restructure the way resources are used in the entire sector; and by consolidating the number and size of local governments themselves.

Appendix A

Jurisdictions Ranked by Average Primary School Size 1999/2000					
	# Schools	# Classes	Pupils Per School	Pupils Per Class	Teachers Per Class
Vitoliste	1	1	2.00	2.00	3.00
Konopiste	1	1	3.00	3.00	1.00
Staravina	1	1	4.00	4.00	1.00
Vranestica	4	10	17.25	6.90	0.80
Orasac	5	10	18.00	9.00	1.30
Bac	3	7	20.33	8.71	1.86
Bogomila	4	8	22.50	11.25	1.50
Staro Nagoricane	15	32	25.20	11.81	1.66
Izvor	3	8	27.67	10.38	1.25
Sopotnica	6	13	31.33	14.46	1.46
Mavrovi Anovi	5	14	31.40	11.21	1.50
Belcista	6	17	36.17	12.76	1.76
Bistrica	15	39	38.80	14.92	1.44
Capari	3	9	40.00	13.33	1.78
Topolcani	8	29	41.75	11.52	1.31
Klecevice	2	7	43.00	12.29	1.43
Lukovo	4	14	43.25	12.36	1.71
Kukurecani	6	18	45.50	15.17	1.44
Mogila	9	29	47.00	14.59	1.14
Kosel	3	13	47.67	11.00	1.85
Miravci	5	13	52.00	20.00	1.54
Dobruisevo	5	17	53.00	15.59	1.53
Vratnica	6	19	54.67	17.26	1.26
Karbinci	10	35	55.60	15.89	1.31
Demir Hisar	13	38	58.15	19.89	1.26
Samokov	2	8	60.00	15.00	1.63
Meseista	5	18	60.80	16.89	1.33
Zelenikovo	11	41	62.00	16.63	1.32
Rosoman	7	25	62.14	17.40	1.24
Star Dojran	7	23	62.43	19.00	1.22
Drugovo	5	17	63.00	18.53	1.41
Konce	6	21	65.17	18.62	1.24
Novaci	4	16	66.50	16.63	1.50
Dolneni	20	90	68.80	15.29	1.41
Lozovo	5	19	70.40	18.53	1.42
Kuklis	7	25	71.00	19.88	1.72
Rankovce	7	31	73.00	16.48	1.19
Oblesevo	7	32	73.57	16.09	1.44
Gradsko	6	25	75.17	18.04	1.28
Krivogastani	8	36	77.38	17.19	1.36
Demir Kapija	6	24	80.83	20.21	1.29
Krusevo	11	48	89.91	20.60	1.29
Novo Selo	14	69	90.86	18.43	1.41
Jegunovoce	10	50	94.50	18.90	1.36
Resen	21	96	96.00	21.00	1.42
Sopiste	8	42	97.88	18.64	1.26
Pehcevo	6	32	98.50	18.47	1.31

Bosilovo	13	67	101.77	19.75	1.22
Cucer-Sandevo	11	67	104.73	17.19	1.36
Blatec	2	11	106.00	19.27	1.82
Cesinovo	3	21	106.00	15.14	1.81
Vasileva	12	61	106.33	20.92	1.26
Kratovo	11	57	108.36	20.91	1.51
Makedonski Brod	7	34	110.29	22.71	1.38
Srbinovo	5	33	111.20	16.85	1.27
Podares	4	23	114.00	19.83	1.26
Oslomej	11	65	114.27	19.34	1.88
Valandovo	13	69	116.85	22.01	1.52
Zletevo	3	17	118.67	20.94	1.47
Caska	3	17	118.67	20.94	1.35
Zrnovci	3	19	121.33	19.16	1.16
Zajas	12	68	126.50	22.32	1.54
Centar Zupa	9	56	133.67	21.48	1.20
Makedonska Kamenica	8	49	136.38	22.27	1.24
Dolna Banjica	4	27	137.50	20.37	1.11
Zitose	3	22	147.67	20.14	1.55
Vinica	14	99	150.86	21.33	1.37
Rostuse	12	87	151.17	20.85	1.21
Petrovec	7	51	152.86	20.98	1.59
Kriva Palanka	15	107	167.53	23.49	1.25
Delogozda	7	54	172.14	22.31	1.24
Berovo	9	73	177.11	21.84	1.49
Vrutok	4	44	183.00	16.64	1.32
Delcevo	11	98	188.45	21.15	1.46
Sveti Nikole	11	89	194.09	23.99	1.24
Probistip	8	60	195.38	26.05	1.48
Murtino	4	37	195.50	21.14	1.30
Brevnica	11	93	208.27	24.63	1.24
Spikovica	6	70	212.17	18.19	1.21
Studenicani	12	105	215.42	24.62	1.61
Zelino	18	166	218.00	23.64	1.28
Ilinden	7	62	229.57	25.92	1.37
Radovis	14	123	229.86	26.16	1.20
Negotino	10	93	233.30	25.09	1.30
Gevgelija	9	83	233.67	25.34	1.25
Orizari	2	24	255.00	21.25	1.25
Vrapciste	5	54	257.60	23.85	1.31
Saraj	14	163	260.57	22.38	1.31
Vevcani	1	16	263.00	16.44	1.44
Bogdanici	4	44	265.00	24.09	1.30
Lipkovo	16	157	266.44	27.15	1.45
Kamenjane	7	84	287.29	23.94	1.36
Kondovo	6	75	304.33	24.35	1.35
Veles	23	269	304.65	26.05	1.38
Velesta	4	44	313.75	28.52	1.34
Kavadarci	13	175	334.69	24.86	1.35
Struga	16	219	340.13	24.85	1.32
Aracinovo	5	71	360.80	25.41	1.28
Bitola	26	368	361.15	25.52	1.28

Negotino-Polosko	8	108	361.25	26.76	1.51
Ochrid	16	252	396.88	25.20	1.25
Kocani	9	147	403.22	24.69	1.15
Bogovinje	6	95	406.17	25.65	1.32
Labunista	4	61	410.00	26.89	1.25
Stip	13	175	417.85	31.04	1.54
Tearce	8	143	425.88	23.83	1.32
Strumica	13	208	428.00	26.75	1.36
Debar	7	133	446.86	23.52	1.12
Kumanovo	28	489	463.71	26.55	1.28
Prilep	17	317	480.71	25.78	1.21
Plasnica	2	38	491.00	25.84	1.34
Gorce Petrov	7	143	543.57	26.61	1.27
Gazi Baba	14	292	548.29	26.29	1.33
Cegrane	4	85	572.75	26.95	1.27
Dzheciste	2	44	637.00	28.95	1.23
Karpos	11	254	644.27	27.90	1.45
Kisela Voda	19	446	653.05	27.82	1.37
Cair	11	290	690.55	26.19	1.29
Kicevo	5	138	733.40	26.57	1.30
Tetovo	13	342	799.23	30.38	1.26
Gostivar	10	287	801.00	27.91	1.30
Centar	12	384	902.92	28.22	1.40
Suto Orizari	3	122	1,195.67	29.40	1.20
Total	1,036	10,323	243.43	24.43	1.33

Source: *Primary, Lower Secondary and Upper Secondary Schools in the Republic of Macedonia at the End of 1999-2000 School Year*, Statistical Review 2.4.1.08, State Statistical Office, September 2001, pp.19-22

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