



Issues and recommendations from Policy Note on Public Expenditure on Pre-University Education in Kosovo

Education is identified as one of the main pillars of economic growth and as such has received high priority in public policy in Kosovo. The Kosovo authorities are employing a comprehensive approach towards long-term reforms, hence advocating that improved enrollment and completion rates and improved access to education are necessary, but not sufficient for poverty reduction and improved economic competitiveness. Enhanced learning outcomes, i.e. developing high quality education and student knowledge are increasingly more important as Kosovo moves away from a post-conflict phase to a development phase. In line with these objectives, the Kosovo authorities have approved the *Strategy for Pre-University Education in Kosovo, 2007-2017*. They are also finalizing the Medium Term Expenditure Framework (2009-2011), setting out government's spending plans in support of its new policy priorities. Against this background, the Policy Note on Public Expenditure in Pre-University Education (2008) provides updated analysis and recommendations on a limited number of key issues in public expenditure in pre-university education. A summary of the main issues and recommendations follows.

Context:

The demand for education, and hence the need for public spending, depends on the demographics of the school age population and is critical to long term resource planning. The prognosis for most European and Central Asia (ECA) countries, and for all the countries of South Eastern Europe (SEE), is that the school age population will continue to decline over the next two decades. On average, primary school-age populations are projected to decline by nearly one-fifth, and secondary school-age populations by nearly one-third. A declining school-age population suggests an opportunity to expand coverage without the need for additional resources, and also makes more conspicuous existing inefficiencies in the use of resources.

Kosovo lacks reliable demographic statistics, which underly enrollment rates and other key indicators of outputs, and as such has a fundamental obstacle to good policy making and expenditure planning. Nevertheless, the evidence currently available suggests that Kosovo's population is relatively young. According to the Statistical Office of Kosovo (SOK), whose estimates are based on household survey data (HBS), around one-third (33.0 percent) of Kosovo's population was aged between 0 and 14 in 2005. Comparing this statistic with the SEE average (15.0 percent) Kosovo's population is the youngest in the SEE region.

Table 1: Change in school-age population in Kosovo, 2002-04: alternative estimates

Level	Grade	Average annual change, 2002-04	
		Survey-based	Model-based
US	10-12	1.3%	0.1%
P&LS	1-9	-1.7%	-1.4%
PP	0	3.4%	-2.9%
Total		-0.7%	-1.2%

Note: US = Upper Secondary; P&LS = Primary and Lower Secondary; PP = Pre-primary
Source: World Bank staff calculations.

However, existing data of Kosovo's demographic history suggests an ongoing secular decline in Kosovo's fertility rate. Data from the 1980s and SOK data from the 2000s suggest that despite starting from a level substantially higher than many other transition economies, Kosovo has been part of the general transition to lower fertility rates in the ECA region over the past two decades. A simple model constructed



for the purposes of this study¹ generates estimates of Kosovo's school-age population in recent years independently of HBS data. These estimates suggest that Kosovo's total school-age population decreased at approximately 1.2 percent a year over 2002-04 – double the rate suggested by HBS-based estimates (see Table 1) – and that this decline is set to accelerate, rather than moderate.

Outputs:

The absence of reliable school-age population data means that accurate statistics on enrollment rate are also lacking.

However, regardless of the estimates used, Kosovo's enrollment rates are low by regional standards, and especially so at the secondary and tertiary levels. Even taking the highest estimates available at each level of schooling, Kosovo has amongst the lowest levels of enrollment coverage in SEE and CEE (see Table 2). In addition, there is very little data on educational outcomes and on what students are learning and are able to learn. The external assessment of 9th grade students and a pilot *matura* at the end of upper secondary is a commendable effort, but does not allow international comparison since MEST has not had the opportunity to participate in international student assessments. However, extrapolating from data on inputs, it is safe to assume that student learning outcomes are relatively poor.

Table 2: Per capita income and enrollment rates, selected SEE and CEE economies (2005)

	GNI per capita (US\$)	Net Enrollment Rate (%)			Gross Enrollment Rate (%)
		Pre-primary	Primary	Secondary	Tertiary
Albania*	2,570	47	94	74	19
Bulgaria	3,450	75	93	88	44
Croatia**	8,290	46	87	85	39
Estonia	9,060	88	95	91	66
Hungary	10,070	82	89	90	65
Latvia	6,770	82	88	-	74
Lithuania	7,210	66	89	91	76
Macedonia, FYR	2,830	32	92	82	30
Poland	7,160	53	96	93	63
Romania	3,910	74	93	80	45
Slovak Republic	7,950	86	92	-	41
Slovenia	17,440	78	98	94	81
Turkey	4,750	10	89	67	31
Kosovo	1,530	44-45	75-89	44-71	18
* 2004	**2003				

Note: Primary for Kosovo is Primary and Lower Secondary; Secondary is Upper Secondary.
Sources: UIS Global Education Digest 2006; UIS Data Centre, June 2007, <http://stats.uis.unesco.org>; 2007 World Development Indicators.

Inputs:

Kosovo's public expenditure on education as a proportion of GDP is at 4.6 percent, close to the CEE and SEE average of 4.8 percent². However, being an economy with a low level of overall public spending relative to GDP, spending on education is a larger proportion of total public expenditure than in all countries in the region, except for Slovenia, Latvia and Lithuania. In addition, Kosovo's school age population is relatively large compared to other countries in the region. Therefore, the level of public spending on education per student, as a proportion of GDP per capita, is well below the OECD average and in the lower range of CEE and SEE comparator countries (see Table 3).

¹ The model interpolates births in the years for which data is not available on the basis of a trend estimated over the years for which they are, and assumes some natural attrition of these cohorts over time. For more please consult the full note available at:

www.worldbank.org/kosovo

² The GDP data were revised upward by IMF and Statistical Office of Kosovo in March 2008. Hence, public expenditure in education compared to the revised GDP is lower than presented above which reflect the Policy Note on Public Expenditure on Pre-University Education in Kosovo (World Bank: January, 2008). Namely, public expenditure in education is about 3.5 percent of the revised GDP and public expenditure per pupil is about 14.4 percent of the revised GDP per capita.



Average Class Size (ACS) and Pupil Teacher Ratio (PTR) in Kosovo are in general only marginally above the EU average, and have remained stable over the recent years. With an ACS of 24 at lower secondary level, Kosovo compares to the OECD average. The average PTR of 19 at the primary and secondary level is more significantly above the EU average, but still comparable to Germany. However, at the upper secondary level Kosovo's PTR (19) is out of line with the OECD and EU norms, being some 50 percent higher. As shown in Table 4, the upper secondary level has seen a rapid increase on number of pupils, but surprisingly the ACS has only increased marginally from 29 to 30. This raises the question of sustainability – how does Kosovo manage to combine a relatively low level of spending on education with class sizes and pupil teacher ration that are more of less similar to the EU, despite having a relatively high school age population (as noted above)? This is achieved by operating the pre-university education system with a large number of ill-paid teachers and allowing the resulting wage-bill to crowd out capital expenditure and non-wage current spending, so that total spending on education is contained at below the CEE and SEE averages. There is little doubt that operating the education system in this way is (i) the key reason for the poor quality of educational outcomes, and (ii) unsustainable, in that the pressure for salary reform is immense.

Table 3: Public expenditure per pupil as a % of GDP per capita, Kosovo, CEE, and SEE, 2006

	Primary	Secondary	Tertiary
Slovenia	26.0	30.7	25.9
Hungary	23.7	23.8	24.7
Poland	22.8	20.9	21.5
Latvia	20.6	24.5	14.4
Croatia	20.2	26.0	31.5
OECD mean	20.0	26.0	42.0
Estonia	19.9	26.5	18.8
Bulgaria	19.0	20.9	28.3
Moldova	16.6	24.1	12.9
Kosovo*		16.5	n/a
Lithuania	15.1	21.2	20.1
Ukraine	14.8	18.2	32.4
Czech Republic	12.9	23.4	20.6
Slovak Republic	12.2	17.3	32.9
Romania	12.0	13.5	22.9
Turkey	11.8	14.8	44.7

Note: Kosovo does not report data on public spending by level of pre-university education;

Source: UIS Global Education Digest 2006; UIS Data Centre, June 2007, <http://stats.uis.unesco.org>

Table 4: Average class size (ACS) by education level, 2004/05–2006/07

	2004/05			2005/06			2006/07		
	Pupils	Classes	ACS	Pupils	Classes	ACS	Pupils	Classes	ACS
Kindergarten	7,076	358	20	5,108	261	20	5,051	247	20
Pre-primary	17,596	673	26	20,750	700	30	21,089	686	31
Primary / lower secondary	324,210	13,061	25	318,825	13,061	24	321,454	13,423	24
Mixed grades 1-9	2,563	239	11	2,841	239	12	2,704	363	7
SEN attached classes	434	50	9	514	50	10	456	64	7
Upper secondary	69,760	2,387	29	74,781	2,563	29	88,691	2,931	30
SEN	406	66	6	396	64	6	420	69	6
Total	422,045			423,215			439,865		

Source: MEST Review of Statistics of Education in Kosovo 2004/05; Kosovo Education Statistics 2005/06; Kosovo Education Statistics 2006 – 2007.

Policy issues and recommendations:

In light of the evidence presented above, the main policy issues in pre-university education expenditure are to increase access and enrollment in light of demographic change, and to improve the quality of education by addressing issues related to teachers' salaries and composition of spending. The Strategy for the Development of Pre-University Education, 2007-17 establishes targets of 70 percent net enrollment at the pre-primary level by 2017; 100 percent at the compulsory primary and lower secondary levels (grades 1 to 9); and 85 percent at the upper secondary level (grades 10 to 12). These targets are ambitious, but not impossible to achieve and require better demographic data – and most importantly the completion of a census – to make more informed projections of the number of additional school places that will be needed to meet enrollment targets. The current salary structure for teachers is not conducive to improvements in the quality of education – and salary reform is therefore perceived with good reason to be one of the government's



highest priorities in education sector. The virtually uniform salary structure does not provide incentives for potential entrants to gain appropriate academic qualifications, and for those already teaching to advance their professional development through vocational training. This results in a poor quality education due to the inefficiently low pay for teachers.

The policy note makes the following recommendations to address these issues:

Improve the statistical base: Developing a strategy to improve the statistical base for policy-making and expenditure planning in the education sector is crucial. MEST, SOK, and MFE should closely collaborate closely in developing such a strategy in order to produce more accurate estimates and projections of the school-age population by municipality.

Estimate school places needed to meet targets: With the policy objective of improving access and enrollment in light of demographic change, MEST and MFE should collaborate on producing detailed estimates, to be updated annually, for the human and physical resources needed to achieve these targets. This analysis should be based on improved demographic projections (linked to the recommendation above) and could involve scenario analysis which should be incorporated into the formulation of the annual MTEF. Achieving the government's policy objectives in this area will also require policies that target constraints on the demand side, such as policies to get girls to go to school.

Develop a medium term program for expenditure adjustment: MEST and MFE should collaborate on the design of a detailed medium term program to adjust both the composition and the level of public expenditure on pre-university education. This program might incorporate the following principles:

1. The number of teachers employed in the system should be allowed to fall in relative (though not necessarily in absolute) terms, so that input-based indicators such as average class sizes and pupil-teacher ratios rise towards the efficiency norms set by the government;
2. The salary structure for teachers should be reformed such that the average salary is increased and differentiation introduced in order to encourage improvement in the quality of education;
3. The net result of (i) and (ii) should be a reduction in the teachers' wage-bill relative to total expenditure on education (though not necessarily in absolute terms) which will facilitate a shift in the composition of expenditure towards capital investment and non-wage current spending;
4. In aggregate, spending on pre-university education should increase, as a reflection of Kosovo's relatively large school-age population; and
5. This aggregate increase in expenditure should be planned in the context of the authorities' overall public spending plans, and must be subject to strict tests of long term fiscal sustainability.