

RESEARCH ARTICLE

International Financial Institutions Influence on the Educational System: A Romanian Perspective

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Abstract

After 25 years since the communism regime abolition, the Romanian economy was developed through international cooperation and support. The connections established with international organizations allowed surpassing the old conventions and adapt to the new global trend, globalization and knowledge based society. Previously EU ascension, but also afterwards, Romania's collaboration with the International Monetary Fund and the World Bank is considered essential, generally for the country development, particularly for specific sectors like education. The paper aim is to provide an analysis of the International Financial Institutions influence in Romanian educational system, considering the collaboration in the past two decades. The article is structures in two sections, each of it analyzing the benefits and limits of Romania's Government cooperation with the World Bank and the International Monetary Fund. Our research is based on the findings of national and international scholars, but also on the institutions reports and analysis.

Keywords: *Education, International Monetary Fund, project, Reform, World Bank.*

Introduction

Global economy would not be the same without the International Financial Institutions implication in the macroeconomic reforms of developing and developed countries. Their contributions are highly debated by specialists and the outcomes are noticeable in different economies and sectors.

In the globalization context of economic activities, the interdependences among different states and international institutions are extremely important and mandatory for long term development and integration. Preserving the best relationships between the Government and the international institutions is an important objective on every Government agenda [1].

All national policy lines are established considering the agreements with the social partners and civil society but also following the commitments with IMF, European Commission, World Bank, and other international financial institutions.

In Romania, in the past two decades, the IMF and the World Bank staffs maintain a close collaborative relationship in supporting the Government's reform program and are coordinating their policy advice to the Romanian authorities [2]. Constantly, the WB and IMF analysis were used as input to the fiscal

framework, including structural reform measures that have important fiscal implications and enhancing the fiscal efficiency of social assistance programs [2].

Every school managers need to be aware of the changing environment and adapt to the technological innovation, globalization and international labor migration. Every country's educational system must prepare all their graduates for a changing environment, must transfer to them the much needed knowledge, skills and attitudes necessary for the job and the citizenship integration [3].

The International Monetary Fund (IMF) and World Bank (WB) are two international agencies that not only shaped the education agendas in the developing and developed countries, but also reconstituted education as part of wider services sector within a global knowledge economy framework [4].

These institutions have represented in the past decades key solution to financial difficulties of developing and developed economies and their implication in the education systems is stated in many official reports and it is also debated in scholars' researches [4-8].

International Financial Institutions Effects on the Educational System

As stated in the Romanian Law of National Education enacted in 2011, “the state provides Romania citizens with equal rights of access to all levels and forms of pre-university and higher education, as well as lifetime education without any form of discrimination”.

Therefore, the financing of the pre-academic education is ensured from public funds, within the limit of at least 6 percent of the GDP or from other sources. The Government actions were supported in the past decades by international financial institutions in many areas, both through practical expertise but also financially.

The educational sector is considered by the large majority, including official ministry representatives

Table 1: Education expenditure of GDP

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
%GDP	3.4	3.6	3.6	3.5	3.3	3.5	4.3	5.5	4.24	4.24	3.53	4.13	3.5	3.6

Source: Ministry of Education

IMF approaches and actions are different from the WB ones, considering the policies and mechanisms of each institution. The WB projects and programs are directly oriented towards the educational reforms, meanwhile the IMF conditions for loans may affect indirectly the educational sector. The WB constant focus was to improve the climate for investment and enterprises, to increase and efficiently use the resources in the health care system and for primary education [9]. Also, the WB is considered the largest single international organizations operating in the education for development field [10].

The IMF strategy is more oriented towards the international monetary cooperation and exchange rate stability, measures to facilitate the balanced growth of international trade.

As stated by some authors [10] considering the substantial lending capacity, the persuasive knowledge production and the transnational political clout, the World Bank has become a key global governance actor in the education for development field.

As mentioned in the WB database, there are more than 600 projects and activities related to the educational sector world wide, in 115 countries, approved by the Education Sector Board, after 1998. These activities are including learning assessments and early childhood development but also education infrastructure development and teacher training.

The WB concern about education is supported through its programs like the initiative Lifelong

and different school stakeholders, severely underfunded.

The efforts undertaken by the national officials concerning curriculum, school's construction and maintenance and teacher's compensation and recruitment needed to be completed by international support. The evolution of education expenditure of GDP is presented in table 1. The expenditures did not exceeded 6 percent of GDP, although the Government established through national regulation the financing of public education with at least 6 percent of the GDP as mentioned above.

The Romanian educational system is considered underfunded by the large majority of politicians and every year the trade unions are demanding to increase the Government support for the educational sector.

Learning for the Global Knowledge Economy, the Knowledge for Development (K4D) programme that sees investment in education as the basis for the knowledge-based economy [4].

As mentioned on a WB report [11], the institution has developed strategies for traditional education, but has not yet fully explored the implications of lifelong learning, only three projects with lifelong learning components have been implemented (\$5.6 million in Romania, \$71 million in Chile, and \$150 million in Hungary). WB perspective on an effective lifelong learning system is based on a significant change concerning both the governance and the financing of education and training. Governments have to create flexible policy and regulatory frameworks that encompass a wide range of institutional actors. Such framework should include legislation and executive orders, arrangement to ensure the coordination between ministries and other involved institutions and mechanism for certifying the achievements of learners.

Generally, the Government cooperation with these institutions represents in many cases technical assistance in financial, fiscal, and economic matters, but sometimes the object of considerable criticism. Some specialists, like [12] argue that IMF and WB loan covenants are too restrictive, the policy reforms are based on narrow, neo-liberal assumptions about the role of the state and the local policy makers are becoming just passive recipients of these institutions agenda.

The IMF cooperation with the partner countries can be supported through four directions: surveillance,

trainings, technical and financial assistance. In Romania, the Fund has conducted regional surveillance through Article IV consultations. Through trainings the IMF aims to train officials of member countries. The IMF Regional Office for Romania and Bulgaria is also actively engaged providing in-country training on specific topics related to the regular discussions on policies [13].

The IMF and the WB are important and necessary for the global economy considering that a genuine global capitalist system generated contradictions that cannot be addressed at the national level alone, but are necessary “institutions that seek to define and exercise a relatively autonomous role, promoting and sustaining a framework for global capital [9].

The similarities and differences between these institutions are clarified, “both institutions concern themselves with economic issues and concentrate their efforts on broadening and strengthening the economies of their member nations”, but “the Bank is primarily a development institution; the IMF is a cooperative institution that seeks to maintain an orderly system of payments and receipts between nations”[14].

The policies and measures of the WB and the IMF are sometimes criticized because of the conditionalities imposed on the borrower countries. These conditionalities are imposed sometimes without regard for the borrower countries individual circumstances, therefore is considered that in some situations the WB and the IMF fail to resolve the economic problems within the countries. The collaboration with the IMF may result, because of

the harsh conditionalities, in the loss of a state’s authority to govern its own economy as national economic policies are predetermined under IMF packages [15].

World Bank Influence on the Romanian National Educational System

Romania reform in the educational system started right after the communist party abolition. The large-scale reform included the introduction of a flexible curriculum, the use of alternative textbooks, improve teachers training, the introduction of new methods in classroom practice, improve the school infrastructure and diminish the differences between rural and urban schools, improve the quality of the educational act, evaluation and examination service, changes within the school management.

The period between 1990 and 1995 was specific for some clarifying concerning the national policies, including the education system. Starting with 1995 a new educational law was enacted, so the period between the 1995 and 1999 was dedicated to concrete measures and the system reform. After the 2000 some educational policies were consolidated, but also new regulations were established given the perspective of European integration.

The WB conducted its first mission to support the Government efforts concerning the educational system in 1991. The WB collaborated with national experts on regulations that may ensure a systematic reform of the pre-university education. The reform policies implemented in the educational system and the WB support through the process can be summarized in table 1.

Table 2: World Bank implication in the Romanian educational reform

Period	Government reform	WB actions	WB projects
1990-1995	Preparatory discussions in order to change the communist ideology in the curriculum and system design. Setting the bases for the Education Reform Projects development.	First exploratory missions to reform Education in Romania.	n.a.
1995-2000	Reform started being implemented under the Education Reform Project. New regulation in the educational field: 1995 Education Law and 1997 Teaching Staff Statute).	Funding of the Education Reform Project, structured to support a systemic reform of the pre-tertiary education system.	1998 School Rehabilitation Project
2000-2005	Governmental programs fostering equal opportunities, new mechanisms for financing and management, promoting new relationship between school and community based on accountability and effective partnerships. Intense public debates and national dialogue for strengthening future education policies and actions	Encouraged a broader community involvement in the educational management, contribution to the decentralization of the educational process.	2003 Rural Education Project

Source: World Bank, 2007, Ministry of National Education and the World Bank Project Database

As stated by the ministry representatives in a WB Report, the Romania’s basic education would not have progressed at through the 1990’s without the consistent support of the World Bank. WB projects helped building groups of specialists that can use the WB knowledge and vision into other activities regarding the educational system development. The WB counseling constituted an important support

and represented a major partner in educational policies before the European integration.

After 2005, Romania signed the Accession Treaty with the European Community and needed to focus on the Acquis, without ignoring factors outside of the Acquis that directly affected its chances of solving problems within the Acquis. The collaboration with the WB continued after European

integration. So, in 2012 the WB and the Romanian Government signed the Third Development Policy Loan Programme. Table 2

emphasizes the three major programmes developed by the Ministry of Education with the support of the WB, in the educational system.

Table 3: World Bank projects in Romania

Year	Project name	Value	Objectives
2012	Romania - Third Development Policy Loan Program	400 mil \$ (Total 1 billion \$)	To support the Government's reforms, and position Romania to emerge from the economic and financial crisis, to sustain the convergence to the living standards of more advanced European Union economies. To improve access of rural school students to quality education by financing school-based professional development for teachers and basic teaching-learning materials, improve school-community partnerships, strengthens the analytic capacity of the Ministry of Education for policy analysis and formulation.
2003	Romania - Rural Education Project	60 million \$	To support the national efforts to rehabilitate schools up to the safety standards and pedagogic norms established by the Ministry of Education according to the Education Reform Project.
1998	Romania - School Rehabilitation Project	70 million \$	

Source: World Bank Project Database

The World Bank influenced the government agenda in many European countries concerning important measures like curriculum implementation, teaching-learning materials, teacher professional development, Ministry capacity to adopt and implement reforms, decentralization, etc. Some of these matters were solved, but others are still supported by the European Union projects and programmes.

As mentioned by the WB representatives, the education strategy considered until 2020, sets the goal of achieving Learning for All. It means ensuring that all children can also acquire the knowledge and skills that they need to lead healthy, productive lives and secure meaningful employment. The WB three pillars of the new WB strategy are: Invest early. Invest smartly. Invest for all [16].

International Monetary Fund Influence on the Romanian National Educational System

Romania joined the IMF in 1972. Its quota in the organization amounts to 0.48% of total, which gives it a voting power of 0.49% of total. While it thus predictably has very little influence on IMF policy, it is much affected by it considering the constant cooperation since 1972 [17].

After the communist regime abolition, the IMF began an intensive program of technical assistance and lending that lasted through the 1990s. The lending occurred mainly through a series of five stand-by arrangements, supplemented by three drawings on the Compensatory and Contingency Financing Facility and one on the Systemic Transformation Facility (STF). Romania's indebtedness to the Fund peaked in May 1994, at a little under \$1.4 billion. After that, a succession of democratically elected governments continued to make economic progress, though slowly and unevenly. Romania borrowed from the Fund repeatedly through 2003 and finished repaying those loans in 2008, a year after it became a member of the European Union [18]. Figure 1 reveals the evolution of Romanian Stand-By Arrangements with IMF since the beginning of the cooperation in 1972.

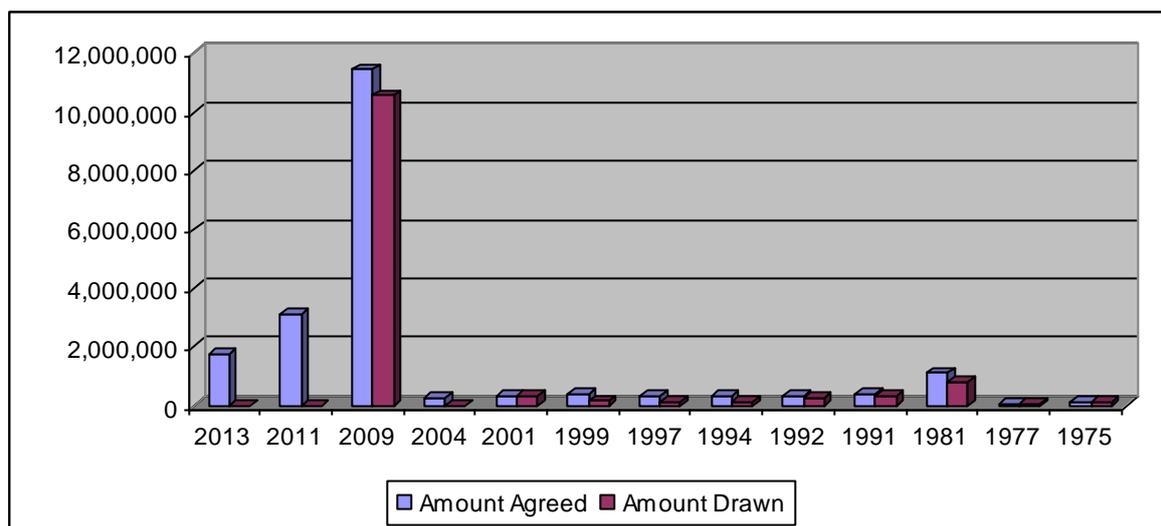


Figure 1: Romanian Stand-By Arrangements with IMF
Source: IMF country data

The latest standby agreement with IMF was signed in 2009, when the Government forced by the effects of the financial crisis, took this decision what was considered, at that time, by the opposition, a bad option. The agreement was followed by key austerity measures enforced in 2010, when the impact of recession had become alarming: high unemployment rates, an uncontrollable budget deficit and a drastic decline in domestic demand [19].

The measures were considered severe so the social tension and dissatisfaction increased and culminated in a wave of protests in January 2012, leading to the resignation of the government. The austerity measures were considered as a consequence of the IMF conditionality and were highly debated in the social media. The educational system was affected by the austerity measures through the decision of cutting teachers wages by 25% in 2010. This measure deeply affected the teachers who already considered themselves poor remunerated and brought some issues like corruption and bribery in 2010 national exams [20]. IMF central policy approach is to condition the access to future aid on achieving key fiscal policy like low budget deficit and monetary policy targets like price stability. For these considerations some countries have concentrated on short term fiscal and monetary policies and less consider long term public investment concerning infrastructure and education infrastructure. Many times the IMF succeeded to diminish inflation and fiscal deficits but harming public investments like education budgets and infrastructure.

The IMF influence in the educational reform is not so direct like the World Bank contribution and support. However, the national regulation concerning the school financing and staff costs must consider the IMF commitments. For many years it was considered that the IMF conditionalities for providing secure grounds for the balance of payments affected the expansion and the development of certain public sectors. The educational system is one of the vulnerable areas in the social services system that may have been harmed by IMF conditionalities. The impact of IMF on national educational budgets is analyzed by domestic researchers and international organizations. Probably for this reason, the World Bank programs and projects in Romania were dedicated to reform the educational system, but in same time diminish the negative effects in implementing IMF conditions.

As stated by some authors [21] the IMF loan requirement for fiscal balance compelled governments to cut public expenditures, often with little regard for the composition of government expenditures. In most cases, the budget was brought

to a balance or even surplus by cutting long-term public investment rather than by raising taxes.

Another illustration of the influence the IMF in education, but also in the health sectors is the policy of wage bill ceilings. All public sector workers, including teachers and health workers, are hired through the wage bill. A ceiling is often placed to limit excessive spending. The main concerns about these ceilings are how the limits are set, and by whom; whether adequate planning takes place to project the numbers needed; and whether the potential consequences of the ceilings for access to and quality of services are considered [20]. The statement is supported by the IMF's own research and findings from its independent evaluation office that confirm the restrictive nature of this policy and its potential impact in limiting the number of teachers and health care workers that could be hired. The IEO's report found that "wage bill ceilings were often set without consideration of the impact on expenditures in poverty areas" [23].

The influence of the IMF, the European Commission and the World Bank conditionalities is clearly stated in the official regulations. The National Reform Programme proposed by the Government for the period 2011-2013, but also the one from 2014 follows the policy lines agreed by social partners and civil society, but it also "reflect Romania's commitments with IMF, European Commission, World Bank, and other international financial institutions" [24-25].

There are many changes expected to be operated in the educational sector. In 2013, the European Commission esteemed that "Romania faces a major challenge in raising the quality of its education and training system. Early school leaving is a significant challenge. Romania should implement its reforms whilst building up its administrative capacity. Tertiary education should be aligned with the needs of the labour market and improve access for disadvantaged people" [26].

IMF remain in some scholars vision a major enforcer of policies that can block meaningful public investment in educational system or the hire of the necessary number of well trained and well paid teachers and administrators.

As mentioned by [21], the Romanian educational system was profoundly affected by the controversial policies of the IMF for example: national budget austerity, cutbacks in education budgets, restrictions on increases to the public sector wage bills and teachers' wages, increased use of contract teachers, and other adverse effects on education financing, teachers and the quality of education.

Conclusions

This paper has reviewed the effects of the collaboration of the Romanian Government with the International Financial Institutions, in the educational sector. For many countries the World Bank represented an important source of education finance, contributing with a multi-billion budget on education operations. The World Bank assisted the Romanian Government in its first discussions in order to change the communist ideology concerning the curriculum and the system design. The WB is also considered an important contributor to the decentralization of the educational system and constantly encouraged a broader community involvement in the educational management. Through its projects, the WB improved the access of rural school students to quality education, supported the national efforts to rehabilitate schools and supported the Government's reform.

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