

Role of the Formal Decision Making in Emerging of the “New Corruption” in a School Education in Transitional Societies (case of Georgia)

Research Paper

By
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The Constitution of Georgia

Article 35

3. The state guarantees pre-school education. Primary education is mandatory for all. The state provides free primary education for all. Citizens have the right to free secondary, professional and tertiary education at state institutes within the framework and by the rules established in law.

The generally accepted definition of corruption may be formulated as ***the abuse of public office for private gain.***¹ Whatever happens in Georgian public school system today does not entirely fit this or other “corruption” definitions. In reality we deal with some kind of ***shadow financing*** emerging as a result of conflict of interests between formally accepted ideas of organization and financing of school education and objective necessities of its development.

On one hand Constitution of Georgia guarantees free school education for all, while on the other hand whatever resources undeveloped Georgian economy is able to provide are barely enough to slow down deterioration of the system.² Under the circumstances the state for a while simply turned a blind eye to practice when schools were collecting money from parents in order to survive. Since this was a quite natural response to needs of cash starved school system, the authorities were unable to curb the process and had to legalize it. ***Still it was left virtually unregulated and uncontrolled, leaving a plenty of opportunity for corruption.***

Today majority of parents are to some extent contributing to school education of their children. Still Georgian authorities maintain a position that education is free under the pretext that this money is not applied to support the basic teaching program and

¹ “Fighting Corruption Through Education”, Ellie Keen, COLPI Paper No.1, OSI, Budapest, p.18

² Basic education (grades 1-9) is formally free of charge for all. Grades 10-12 were paid for a while, but are planned to be free again commencing September 1, 2003-02-23

besides contributions are voluntary³. Although such distinction between free and paid tuition is rather *fuzzy*.

Situation as such is rather dubious, to put it mildly. It already persisted for more than a decade leading to loss of majority of important features like efficiency, quality and equality. It resulted in frequent disruptions of classes, drove away the most qualified teachers and impoverished the vast majority of the remaining. Moreover - some experts and even officials in education field think (and I share their opinion) that public school system in Georgia is rapidly transforming from system providing general education for young generation into system mainly providing livelihood (however meagre) for people who work there. I strongly suspect that since such curious situation persists for already a decade anyone who is in charge of decision-making in regard of school education is simply trying to procrastinate addressing this problem to the end of his/her personal term of service and then land it on the lap of the successor. So far such policy worked, problem is for how long it may continue unchanged.

Under the circumstances sooner or later the authorities will have to clarify a status of school education, to mobilize enough resources (financial and material) of their own to stop deterioration of a public school system and restore it to the main function as education provider.

There are still the additional factors at play that are pushing school education towards corrupt behaviour even without taking into consideration everything discussed above.

Firstly, Georgia by a wide acclaim is a deeply corrupt country. Transparency International, corruption watchdog organization, in its recently published 2002 Corruption Perception Index (CPI) puts this country at 85th place among 102 nations under observation. CPI places Georgia among 20% of the most corrupt countries, well behind for instance Russia, Pakistan or Albania.⁴ This fact is formally acknowledged, mitigating measures all the way up to establishment of the formal anti-corruption agency are introduced, but actual results are close to nothing. Almost all deals in the country involving those of elected or executive officials, businesses or common citizens are based on some kind of personal “*understanding*” among the interested parties rather than on the law, which is routinely abused. Corrupt activities have already acquired a systemic character and it looks like that any government agency is becoming corrupt simply by default, by “virtue” of belonging to the system. As to the public school system it may be involved primarily due to controlling one of the largest public money flow in the country, especially that this is almost entirely disbursed as cash.

Secondly. Public school system used to be itself one of the most corrupt systems in the country starting as far back as the beginning of 60-s of the last century. By that time quite a noticeable part of local population started to make enough additional money to invest it. Since investment opportunities under the Soviet system were close to zero, a higher education was one of the very few options available to people. As access to a higher education was also strictly restricted, an informal system oriented at

³ The population dubbed contributions of this kind back in the USSR «forced-voluntary».

⁴ The fact that Ukraine, Kazakhstan, Azerbaijan and Moldova fair even worse than Georgia is of a little consolation for people who have to deal with corrupt situation here on a daily basis.

satisfaction of an excess demand under the market deficit conditions soon evolved. On a public school side it included intensive additional, out of school training in 4 subjects included into university entry exams list, under the table trade for high marks in all other subjects. Naturally this spread throughout the whole school system and for many years it was mandatory at least for those who pretended to achieve some kind of success (at least formal) to remunerate teachers in cash or in kind, or influence them through some kind of informal contacts. In the end almost universally graduation with high grades depended on “*understanding*” between teachers, school administration and interested parents.⁵ Today this system is largely defunct mainly due to a drastically reduced purchase power of the overwhelming majority of population.⁶ Still traditions persist and these corrupt practices may emerge and are emerging any time opportunity presents itself.

Bearing all above mentioned in mind the most important for me was to look for answers to the following questions:

- Do Georgian authorities have enough financial resources at their disposal to stop deterioration of a public school system and to restore it at least to a status it enjoyed during the last years of the USSR?
- Are there enough financial and managerial resources in the public school system that might be utilized through cost cutting and efficiency measures?
- Does the system have to turn to alternative sources of financing in order to solve problems it faces today?
- What external factors affecting system development may endow do corruption in public schools?
- What is a popular perception of problems of public school development, with special emphasis on parents’ endowment to education as well as school corruption problems?

In order to find answers to above questions I analyzed a general system of allocation of public finances in Georgia and especially financial relations among different levels of government inside the country (namely a system of transfers). I also tried to identify the key players in the education budgeting process and their role in the sector. Organization and managerial practices of public school system was also analyzed. Public opinion poll was carried out in November-December 2002 covering approximately 10% of Georgian schools.⁷

Results of final analysis are presented here as follows:

⁵ That did not mean though that you could be a total moron and receive a good certificate. At least in core subjects students were trained properly, but this again happened thanks to additional paid tuition.

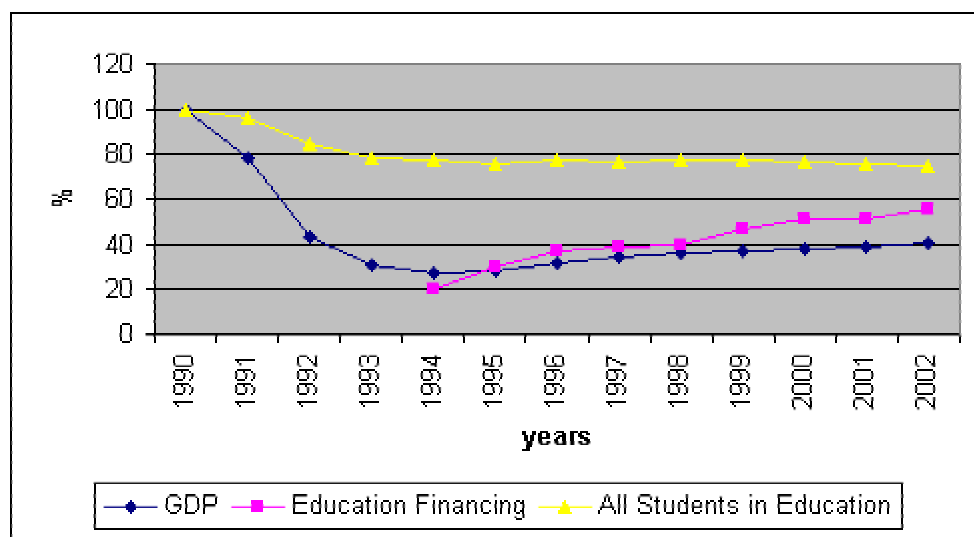
⁶ Besides there are so many higher education institutions in Georgia that they are fighting tooth and claw to capture anyone who is able to pay for their services and applicant’s qualification is not a key determinant of hiring any more.

⁷ Sources of information in these paper besides the public opinion poll are as follows – for general socio-economic development trends –State Department of Statistics of Georgia (SDS), all formal documents on education – Ministry of Education (MoE), financial data – Ministry of Finance (MoF), basic public school system data - The WB Georgian Education System Realignment and Strengthening Project, SDS.

I. Despite some obvious progress general results of post-Soviet transformation in Georgia are disappointing. GDP in 2002 amounted to just about 43% of its 1990 level. Or it took the country's economy ten years to grow back to the average level of 1992-93 – the worst years in the modern Georgian history. Besides use 1990 GDP level as a benchmark is of a very doubtful virtue. That year the USSR was agonizing, its economy was in shambles and supported only by oil exports and huge western credits. Thus to say that performance of Georgian economy is unsatisfactory as compared to the last year of the USSR means that it's in the very sad state indeed.

The real amount of GDP is also extremely small. It reached just \$ 3321,9 million in 2002.⁸ Of this sum at least 1/3 belonged to “shadow” sector, thus leaving Georgian authorities with very little money to be incorporated into a budget.

Chart 1. Education dynamics versus GDP, years 1990-2002



Source: State Department of Statistics of Georgia (SDS)

“Thanks” to omnipresent corruption, low fiscal discipline, persisting over optimistic budget planning and other similar factors the real amount of finances incorporated into the budget is much lower than in any developed country. Consolidated budget revenues (central state budget plus local budgets, plus special funds' budgets) amounted in 2001 to \$ 495 mill or just 15.4% of GDP.⁹ According to local experts under the current conditions Georgia theoretically may increase this share to about a quarter of GDP, but in reality it may hardly go beyond 18%.

Share of education in GDP was about 56% of its 1990 level reaching 3.9 % in 2002. This is rather low as compared to OECD average of 5.8% or CIS average of 4.6%,

⁸ Just a little reminder – managers of WorldCom misappropriated at least \$3.8 billion.

⁹ Total budget expenditures amounted to app. \$ 607.9 mill. Among not the largest American universities I had a first hand experience, Boston University had operating budget of about \$ 900 mill, University of Georgia (Athens) – 1.2 billion.

although is at the same level as developing countries' average. Although sector recovery looks more impressive than this of GDP it is not obviously good enough. During the same period number of students reduced by just about $\frac{1}{4}$.¹⁰

Consolidated budget expenses on education amounted to about \$ 79.4 mill in 2001 or 13.1% of the total budget expenditures.¹¹ This sector is in no way discriminated; quite on the contrary education is one of the largest consumer of the budget money its allocations exceeding that of Ministries of Defense and Interior as well as all security agencies combined. On the other hand it amounted to 24% of budget expenditures in 1991, or 1.84 times more.

If measured against GDP the state budget education spending share dropped from 7% in 1991 to just 2.5% (although it recovered from 1% in 1994). Public schools consumed just under half of these expenditures, or less than \$ 40 mill per year. Considering that through persisting efforts Georgian authorities managed to preserve almost all school infrastructure intact and enrolment at least in grades 1-9 close to 90%, this amount of money was applied to more than 3100 schools with about 680 thousand students.¹²

This also means that the state is able to allocate less than \$ 60 per student per year, or approximately \$ 200-220 if we apply PPP. Of course it bears no comparison with any of OECD countries and is considerably less than in India or Indonesia for instance. The same picture emerges if we compare per student spending with GDP per capita. In 2001 it reached just below 9% of the latter figure.¹³ The OECD average is 25%.¹⁴

One of the major (if not the decisive) problems of the public school system is that no one is able to say what amount of financing it really needs. There are too few formal rules and standards guiding organization and management of public school system in Georgia, and those in use have too many loopholes and irregularities to be applied properly. Many day-by-day decisions are made based on the old Soviet standards (often even not formally reapplied by new authorities) or even by traditional understanding of problems at hand with all the pending consequences. This situation has become so awkward that Georgian parliament twice during the recent years (2001 and 2002) through budget law obliged Ministry of Education (MoE) to develop

¹⁰ Total number of students of all types of educational institutions in Georgia reduced from 1267,2 thousand in 1990 to 950,1 thousand in 2002. Of this, number of public school students reduced from 878,2 thousand to 668,5. First reduction by app. 168,1 thousand or 19% took place in 1990-1993 due to secession of part of Georgian territory and corresponding civil strife. Second large reduction took place after 1997 when this number dropped by 53,3 thousand of whose 15,4 thousand moved to private schools.

¹¹ Figures of 2002 were not available at time of writing this report.

¹² Data used to characterize Georgian education as well as finances in general is rather unreliable and should be used with caution, mostly to define general trends.

¹³ Actually it may be much less since SDS uses circa 4.5 mill as amount of Georgian population. As very preliminary information about 2002 census suggests this number may be closer to 4.2-4.3 mill.

¹⁴ The most important consequence of such under financing is that the sector has no resources for maintenance and development. Repair of school buildings, outfitting them with computers, etc. are almost exclusively result of intervention of international donors or some wealthy Georgians. On average sector disburses about 90% of all budget allocations to personnel remuneration. This process is gone so far that the authorities are simply including schools into agenda of foreign dignitaries' visits and than asking them for contribution. For instance during his 2002 visit the president of Romania pledged to finance repair of #166 secondary school in Tbilisi.

educational standards (including financial) by May 1 of an ongoing fiscal year. In both cases the ministry ignored this decision without any consequences.

The reluctance of MoE as well as the Ministry of Finance to comply with the law is quite well understandable. To develop such standards (especially financial based on per student expenditures) during the requested period is technically very difficult, if possible at all. Besides associated political risks are too high. Introducing for instance per student financial allocation standard may actually show the real extent of under financing of public school system with all the consecutive indignation and wrath of public and political opposition falling on the heads of those who will dare introduce them.¹⁵ As a result MoE is currently “planning to start introductory measures in order to develop per student allocation standards” through the World Bank Georgian Education System Realignment and Strengthening Program. How many years that may take one can only guess.

The only legally binding norm on the subject concerns teachers’ salaries and was developed back in 1998, legalized through the Presidential decree. Teachers are to be paid uniformly throughout the country, save for mountainous areas where they have to be paid to the extent of 1.2 to 1.4 of standard salaries depending on the altitude of the school location.¹⁶ During 1997-1999 there was an attempt to introduce a certification of teachers into 4 categories, but due to all too visible irregularities (to put it mildly) in this process it was abandoned. Still the teachers who have already earned their grades retained them and salaries were also defined in accordance with these grades. These were as follows:

Higher category - 70 Lari

1st category - 52.5

2nd category – 45.50

3rd category – 38.50

No category – 36 Lari

The average salary for Georgia, taking into account the actual distribution of teachers by categories could thus be **46.8 Lari**. By 2001 this sum deteriorated to the extent that it comprised just a little bit more than \$ 20 per month or less than \$1 per day that is an absolute poverty level by the WB definition. This was much less than average salary level in Georgia and about 2.5 times less than minimum subsistence level. Relative to GDP per capita this salary reached just 38,8% while for instance in Hungary the appropriate rate was 82,0%.¹⁷

Besides more often than not such salary was and is paid in arrears. Under the circumstances it is easy to understand that majority of teachers are working according

¹⁵ It’s not only the Georgian problem. For instance Polish Minister for Education failed under the same circumstances. See Jan Herczynski, CASE Foundation Warsaw, *The Financing of Georgian Education*.

¹⁶ These coefficients were not applied on practice and the parliament demanded to do this in the current fiscal year. Whether this is implemented remains to be seen.

¹⁷ See: *Eva Balasz, Zoltan Hermann Education Management and Finance in Hungary. Efficiency, Equity and Quality Problems in the Transition Period*. In: *Balancing National and Local Responsibilities. Education Management and Finance in Four Central European Countries*. Edited by Kenneth Davey, Budapest, 2002. p. 104.

to the old popular Soviet formula – “the government pretends that it pay teachers and teachers pretend that they work”.

In the end Georgian authorities had to increase salaries summarily by 30% commencing September 1, 2002. This means that today the average salary should be 60.8 Lari or something about \$ 28 by the exchange course of December 2002, i.e. still less than \$1 per day.¹⁸ Besides year to year inflation rate from mid 1998 to mid-2002 according to the State Department of Statistics reached 37% meaning again that this increase did not even compensate the loses that took place after 1998. Only the higher category teachers (about 7% of all) are formally entitled to more than \$1 per day before taxes and less than that after progressive income tax is applied.

Since teachers' salaries are the only formally defined index of public school finances, I made attempt to calculate just about what amount of money the school education sector might need if salary of “no category” teacher equals a minimum subsistence level (after taxes). These calculations were based on data of 2001 since no final results of fiscal year 2002 were available.

This minimum subsistence level was taken as 105 Lari/month. To receive this sum after taxes the average monthly salary throughout the year should not be less than 135 Lari. Average teacher's salary recalculated by distribution of teachers by categories could reach 175 Lari (about \$80). This sum is rather close to one that school principals named as desirable one - 190 Lari during the public opinion poll.

I calculated two sets of data based on assumptions that sums allocated to remuneration (salaries proper plus obligatory employers' contribution) in the first case should comprise 90% of all public school spending (as it is today) and not exceed half of a budget (just about as in Eastern Europe) in the second case.¹⁹

The first set of calculations may be considered as a “worst case scenario” since its rather unrealistic to presume that school system may endure as a functioning mechanism for years to come without virtually any investments into maintenance and development. Still presuming that such situation may continue for some time into the future, the system needs **at least 2,4 times more financing** than in 2001 in order to pay teachers the minimum salary equal to a subsistence level of 2001. Depending on regions that may change from 2 to 3 times.

In second case, the desirable one, average financing may rise by about **4.4 times**, from 3.7 to 5.8 times depending on the region.

¹⁸ I wrote, “Should be” because no document defining exact amount of teachers' salaries after increase have been adopted.

¹⁹ I did not take into consideration remuneration of school principals and other non-teaching staff, as well as coefficients applied to mountainous areas. That would have complicated calculations to a great extent without really altering the general trends.

In the first case the state should allocate to a public school about 3% of 2001 GDP, in the second – about 5.4%. I.e. in order to stabilize the system and allow for its recovery it should receive additional *\$60-130 million* per year.²⁰

How realistic are these kind of public school development scenarios? Taking into account purely financial considerations, at least the first scenario may be achievable, if authorities make public school the development priority. GDP growth during 2001-2002 comprised \$123.4 million. Provided that this level of growth can be sustained for a while investing an additional \$60 mill into school system looks rather realistic.

On the other hand, taking into account the current economic and political realities the both scenarios look too far fetching. Considering the state of the local economy and existing development forecasts such levels of school education financing cannot be realistically achieved in a short to medium run. So far country's economic performance was erratic at best. In a course of just five years (1997-2002) the annual growth rate deviated between 11 to 2 to 5%. The general state of the economy may be characterized as "stably critical", meaning that not even the absolute minimum of efforts were undertaken to overcome the post-Soviet crisis. Country needs double-digit growth figures to improve its standing in the years to come, but the current administration can hardly claim that it has either system of development priorities or any definite development objectives. More often than not one is left with impression that the corruption is the only driving force behind governments' efforts and if any actual changes take place here that is only under the pressure of various international donors. But tolerance of these donors is obviously running thin and as recently as January 2003 the WB refused to disburse the already planned \$40 mill credit citing corruption as one of the prime reasons behind such decision.

Local experts whom I consulted deny that any positive macroeconomic development is possible under the current administration. Under the most optimistic development scenario it may be totally overhauled as a result of forthcoming parliamentary and presidential elections. When it may take a couple of years until new administration grips power firmly enough to make efficient, positive changes in macroeconomic policy. I.e. under the very best of circumstances Georgian budget may become large enough to allocate sums like discussed above to a public school system some time at the end of next decade.

2. One of the main objectives of my research was to understand how the main actors in the public school system perceive problems this system currently faces. Namely I wanted to understand to what extent various additional funding is characterizing the system and if such financing may be perceived as corrupting. In order to do this roughly 10% of schools (301 altogether) in each of 11 Georgian regions were targeted.²¹ Poll, conducted in November-December 2002, was based on idea of setting each school principal against two parents of students of the same school in order to get the opinion from the both sides of division line. As a result roughly half of questions of both principal's and parents' questionnaires were similar. Answers for both principals and parents were grouped by Western and Eastern Georgia and Tbilisi,

²⁰ This calculation more or less corresponds to other calculations of that kind. For instance the chief financial officer of Tbilisi department of education considers that school sector here needs at least 3 times more budget allocation than today while aiming at teachers' remuneration of about \$ 1 per day.

²¹ Formally there are 12 regions but Abkhazia is outside the control of Georgian government.

each part comprising roughly one third of country's population. In general both principals and parents in Eastern Georgia were more pessimistic in their answers than others and principals, as public employees tended to give more "loyal" answers.

Results of survey are presented here as follows:

- As to **general trends of development**, exactly 60% of parents answered that Georgia generally moved in wrong direction since regaining independence in 1991, while opinion of principals was divided – roughly 47% approved whatever happened in this country while app. 43% disapproved it.²² Overwhelming majority of all respondents (83% of parents and 88% of principals) considered school education as one of the **leading development priorities** and put it at 2d place among 10 such priorities.
- Asked about **what happened to a public school system** during last 12 years roughly 60% of parents and 47% of principals answered that its state deteriorated, while 26 and 41% said that it improved a little. Such positive perception of school development was especially well pronounced in Tbilisi where 33% of parents and 58% of principals answered that schools are better off today than they used to be back in 1990. The same trend is observed in the following questions as well – the overwhelming majority 81% of parents and 85% of principals said that state of public school system either improved or remained unchanged during 2002. 82% of parents and 87% of principals said that state of their particular school either improved or remained unchanged as well. Even more – 72% of parents and 87% of principals evaluated **general state of their particular school** as good to very good and only 20 and 10% correspondingly rated it as bad to a very bad.²³

Organization of classes – 85% of parents from good to a very good and only app. 11% from bad to a very bad. These answers were 97 and 2% among principals.

General qualification of teachers – 92% of parents and 97% of principals rated it as good to a very good. Only asked about **state of school buildings and equipment** both parents and principals were a little bit more pessimistic – 42% of parents and 57% of principals evaluated it as good to a very good, while 39 and 42% said it was bad to a very bad.²⁴ Such situation looks rather illogical for everyone with a good knowledge of the local school system and calls for a little comment. It's obvious that principals, from sense of loyalty towards the state they serve or by some other considerations try to evade negative valuation of a situation as much as it is possible. As to parents, these people were through very rough times since 1990, general condition, living standards and incomes of their overwhelming majority deteriorating to huge extent. They almost came to terms to living under the most adverse conditions, without electricity, natural gas, water supply for a major part of the year (especially outside the capital). Often they have no proper income. It will be unfair to say that their conditions continue to deteriorate, but they are not really improving as well. During all these years they observed as almost whole social infrastructure crumbled down and only public school system looks rather intact and functioning. No wonder that their perception

²² If these numbers do not make up 100% this is because the share of those who had no answer is not included in this text.

²³ Only in Eastern Georgia app. 33% of parents and 18% of principals rated state of their schools as bad to a very bad.

²⁴ Eastern Georgia is the exception again – 64% of parents 63% of principals rated it as bad to a very bad.

of the system rather exaggerates its actual state – classes are not disturbed very often, teachers are conducting lessons, students are tested – these means that school is functioning rather well. Never mind for instance that no one remembers when experiments in chemistry or physics were conducted the last time or new maps for geography lessons were bought, schools are still doing better than everything else in the country. Besides almost no one remembers the time when school system was up to some acceptable standards-it was too long ago. They also have no better example to compare – private schools still provide no better schooling compared to the good public schools and there is no qualitative evaluation of the current state of public schools to tell parents to what extent it has deteriorated. No wonder that they exaggerate the state of the school system.

- Asked to evaluate *the rate of teachers' salaries* both parents (80%) and principals (86%) evaluated it as a low. In general school principals consider the minimum full time *teacher's salary* should be about 191 Lari (app. \$ 90) per month on average in Georgia, about 3 times more than today. In Tbilisi this number tends to be more like 250 Lari, which is natural considering the differences in the cost of living. Asked to what extent *budget allocations satisfy current needs of their particular school*, principals on average answered – 33%.²⁵ Also contrary to the most wide spread opinion, almost 46% of principals answered that these allocations were disbursed in a regular way, while app. half of them answered that it was done rather to very irregularly. Western Georgia seems to get this money in the most regular way, since 63% of respondents said so, while in Eastern Georgia the situation almost mirrors it – 64% of money was allocated irregularly. Almost in 70% of cases if money was delayed it was for less than 3 months, including 46% that was late for less than 1 month. Cases than money is delayed for a really long time are rather rare except for (rather strangely) Western Georgia where in more than a quarter of cases it's late for 9 months and more. It looks like that although disbursement of funds to schools is rather far from regular, it is not as drastic as is usually perceived, and the worst cases are restricted to few localities. Otherwise we should assume that principals are lying *en mass*, which is possible but rather improbable.
- Article 2.3 of Georgian education law states rather interestingly that any *educational institution in order to attract money to school and manage it in a rational way has right to establish a school board*. Functions and mode of conduct of such board are to be determined by schools themselves, i.e. considering the Georgian realities by principals and may be the couple of their closest associates. Considering again the current Georgian realities it is factually an invitation to open up almost totally uncontrolled money source associated with its corrupt mishandling. Besides whatever education authorities say on the subject and the actual amount of money charged, for whose parents who pay, education of their children is not free of charge any more. Asked if they knew about such provision 89% of principals throughout the Georgia gave the positive answer, while only 42% of parents were aware of it (only 28% in Eastern Georgia). About 65% of parents and 59% of principals (rather close association) answered that *money was collected* in their particular school. Quite naturally the highest rate of school involvement in such practice was observed in the capital (88% according to

²⁵ App. 24% of principals in Eastern Georgia answered that these allocations were totally unsatisfactory, a fact that reveals their more their deep dissatisfaction with the current state of affairs, rather than the real extent of a public school financing.

parents and 82% according to principals), followed by Eastern Georgia (app. 70%) and Western Georgia, where 62% of principals and 49% of parents said that no money was collected in their schools. On the other hand the *rate of collection* by schools seems to be rather high. 90% of parents in schools where it was collected throughout Georgia answered that they personally contributed. But asked what part of parents to their opinion contributed, principals answered 49%, parents 57.²⁶

- Very interesting are answers to question – *in whose name this money was collected and who manages it?* Only about 17% of parents throughout Georgia answered that it was collected in the name of school boards, 44% answered that it was collected by parents and teachers associations (PTA) and the remaining by either school principal or teachers councils. On the contrary 31% of principals answered that this money was managed by school boards, 48% by PTA and only very minor part by principals or teachers councils. Rather interestingly parents' and principals' answers come very close throughout Georgia as regards PTAs, but whatever the merits of such establishment this is not the one which is entitled to collect and manage funds by law. But at least it can be legalized, while all other “collectors and managers” are doing this absolutely out of any legal bounds. Besides only about 44% of establishments that can be legalized on principle (school boards, teachers and parents associations) have any legal status – usually as NGOs. The highest rate of legalization was naturally observed in Tbilisi – app. 68%, about 34% in Eastern and 24% in Western Georgia. Answers as those bespeak the total chaos and absence of law associated with the system of attracting private funds to public schools. Usually this process depends entirely on a good will and moral values of a particular school principal. Asked if they *can actually control money* collected by their particular school quite unexpectedly more than a half (52%) of parents throughout Georgia answered “yes”. On the other hand in Tbilisi where the major part of money is obviously collected 51% of parents answered that they could not control it and only 42% answered that they could. I prefer to conduct personally interviews with parents of students of the most popular and the “richest” schools in Tbilisi (where monthly fee is sometimes \$50 per month) and in these cases answers were definitely “no” - they could not control use of money they pay. Still even in Tbilisi 63% of parents answered that they *paid money voluntarily* (77% both in Eastern and Western Georgia).
- *These “donations”* are usually collected on a monthly basis and on the average they *are about \$1* (1,8 Lari according to principals and 2,4 Lari according to parents).²⁷ But they naturally show plenty of geographical difference. 86% of parents in Eastern and 85% in Western Georgia said that they paid less than app. \$0,9 per month, including 70 and 69% who paid less than \$0,5. On average parents evaluated their personal contribution per child during 2001-2002 academic year as about \$ 8. Even for impoverished Georgia such amount of money paid on the monthly basis may cause problems only for the poorest families with many children, but such people simply do not pay. *Does it do any good to schools?* 81% of principals and 78% of parents said that it improves school functioning just a

²⁶ Such school “endowments” are neither local invention nor purely Georgian phenomenon. It was rather wide spread throughout the USSR and still persists today. For instance according to the most recent Russian poll 80% of local parents are endowing to school needs and 90% are making presents to teachers (<http://www.newsru.com>, April 18, 2003).

²⁷ At least I hope they are since about 40% of both parents and principals refused to answer this question.

little bit. 75% of parents throughout Georgia answered that they know what this money is used for (only 63% in Tbilisi), in about 90% of cases this being school maintenance and day by day repair. I.e. one can sweep floors, change windowpanes or repair leaking taps only using money provided by parents. That makes quite unusual distribution of labor in Georgian public school system – the state is in charge of teachers’ salaries, parents and other donors (these one if and when) of everything else. Still average monthly amount of such donations per school is rather small – about \$160 throughout Georgia, although it is naturally much higher in Tbilisi with its larger schools, while outside the capital more than 75% of schools collected less than \$100. If one tries to calculate (rather approximately of course) what amount of money may circulate in a public school system as a result of parents’ contributions, depending whether this is done on per student or per school basis, the answer is app. \$ 220-300 thousand. This makes up about 5-7% of the formal annual public school expenses.

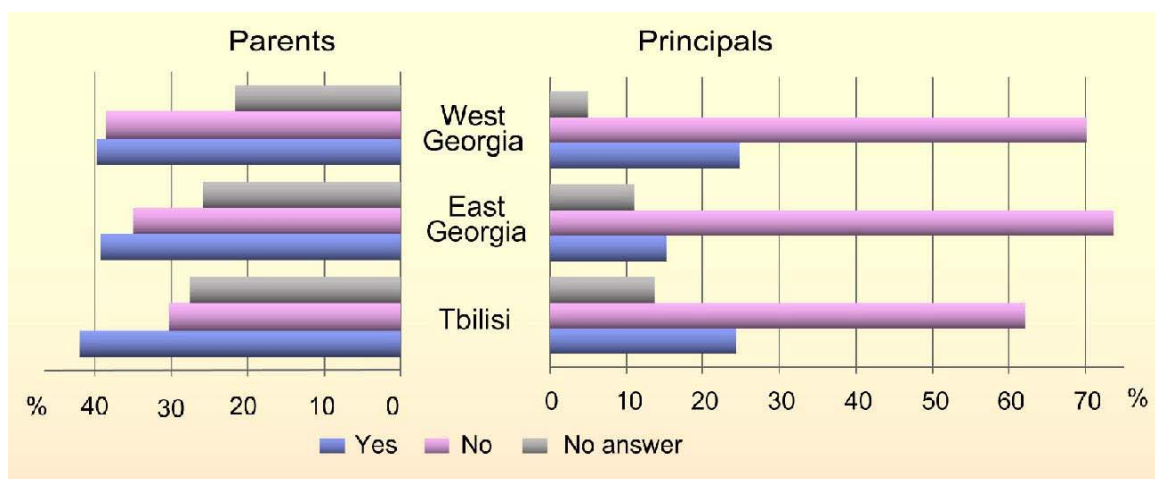
- Providing *paid instructions above education standard* in basic school subjects is the only absolutely legal and well-regulated way to attract additional money into a public school system in Georgia (Order # 214 of May 27, 1996 by MoE, paragraph 8). Major part of earned money should be used to additional remuneration. Amount of such additional remuneration was to be decided by schools depending on teaching loads. Hours devoted to such training (2-3 per week per class on average) are officially included into academic programs. Problem with such training is that it’s impossible to determine where a real necessity for additional training ends and schools start to use these classes purely as a pretext to extort extra money from parents. Besides almost no-one (as usual in this country) pays attention to the formal limitations to amount of such training and tries to maximize number of extra-curricular classes per week. Here for the first time principals and parents provided very different answers to question, whether such practice existed in their particular school. On average in Georgia 23% of parents and just 15% of principals provided positive answer, in Tbilisi that was 40 and 27%, in Eastern Georgia – 24 and 12% (!) and 13 and 9% in Western Georgia. Situation as such is rather peculiar, since it’s hard to understand why school principals try to deny existence of absolutely legal practice in their schools, unless it is being turned into something very different from whatever MoE had in mind allowing these additional classes. I personally conducted survey of one the oldest and quite popular schools in Tbilisi and here the deputy principal, women I’m well acquainted with for many years, strictly denied that such practice existed in this school, while the school possessed a well developed system of above the standard instructions and she was well aware that I naturally knew that. Still whatever the actual character of such practices, contrary to a rather wide spread opinion (including opinion of MoE officials) except for the capital, it does not look quite popular even in schools where it exists according to parents. Only 33% of parents said that their children were actually engaged in these instructions on average in Georgia, including 26% in Tbilisi, 30% in Eastern and 51% (rather strangely) in Western Georgia. That means that just about 7% of all public school students in Georgia were engaged in above the standard instructions.²⁸ Amount of money paid for such instructions also varied to a great extent, although the basic sum was about 5-10 Lari per month per course - about 28% of students in Tbilisi

²⁸ According to principals the picture was again absolutely different. In Tbilisi share of participating students was about 40%, in Eastern Georgia – 25% and 18% in Western, but overall amount of students engaged in above the standard instruction is very low here too.

paid that, 46% in Eastern and 58% in Western Georgia. But again the real amount of students engaged in this process is very low and in general it may be classified as a rather unsuccessful attempt to provide school with a legal pretext to get the additional money from parents. It basically failed, mainly because there is a little practical sense in such classes (except for may be foreign languages) and besides there is simply not enough money among parents to afford such “luxury”. There are parents who claim to pay more than 200-300 Lari per academic year for these instructions. Still such practice calls for a real attention since a rather peculiar reaction of school principals to a quite harmless question regarding such practices may lead to a speculation as about how clean and harmless they actually are. On the other hand teachers can legally earn quite substantial (by the local standards) additional money this way. Some most successful teachers are earning 4-5 extra salaries, but these are the rare exceptions.

- Asked, if besides all more or less legal means of attracting additional funding to schools, *teachers are “rewarded” in person by parents for services provided above and beyond their formal duties, 84% of parents and 91% of school principals answered “no”*. For anyone who is well acquainted with Georgian school system the answer is rather unexpected since such practice is very deep rooted in the local traditions for decades and is restricted today only by obvious insolvency of major part of parents. Some parents even said during the survey – “Yes, we remunerate teachers in cash or in kind, but we consider such practice correct and will not let you condemn it. Thus to your question we answer – no”. One of school principals told me – “The other day we held teachers-parents conference at school. Majority of parents came with bulging bags. When they left their bags were either empty, or missing. What was in that bags or what happened to it I do not know and can not comment”.
- *Asked if attracting extra budget funds to schools is necessary for functioning of a public schools system, 49% of parents answered “yes”, while 35% were against such practice, on the contrary 78% of principals support such practice*. Question whether such practice may cause corruption in schools led to a sharp division in opinions (see Chart 2). While principals overwhelmingly deny this idea, parents were obviously in two minds and find it hard to answer this question. This is

Chart 2. May Private Contributions be a Cause of Corruption in Schools?

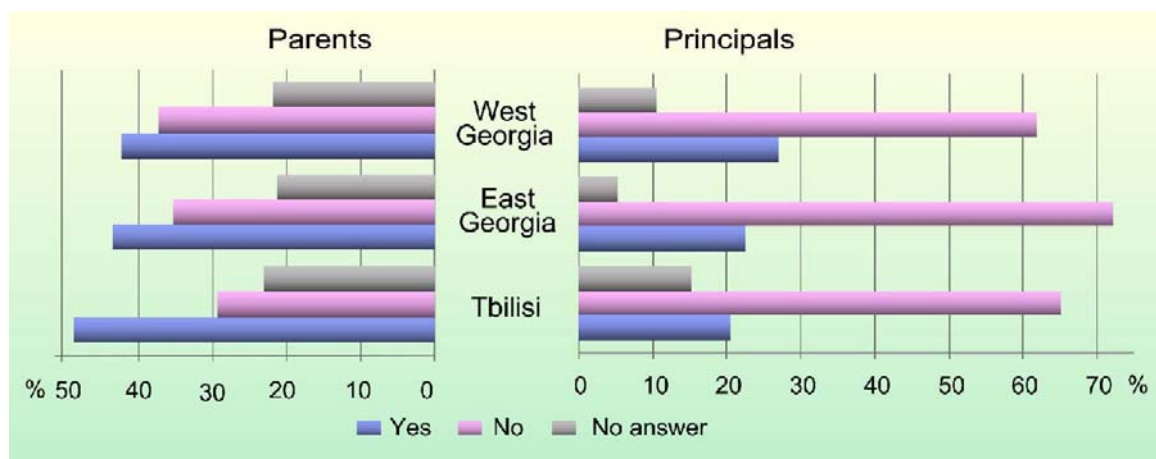


Source: Public opinion poll

especially well pronounced in Western Georgia where difference between positive and negative answers was just 1%. Only in Tbilisi where such practices are the most widespread 42% of parents against 30% said that they lead to corruption. Asked if public school system may be considered corrupt, only 24% of parents throughout Georgia gave a positive answer and 49% negative.²⁹ And again situation was quite different in the capital where 31,2% of parents answered “yes” and 31,9% - “no”. It looks like that in general practices of attracting additional money to schools and all associated problems are mainly restricted to the capital and few other leading urban centers where the money is.

- Principals and parents again express rather opposite opinions answering the question whether *attracting additional money means factually introduction of the paid education into public school system*. 44% of parents throughout Georgia said “yes” to this question and 35% “no” (49 and 29% in Tbilisi), while for principals these answers were 24 and 66% (see Chart 3). On the other hand both

Chart 3. Do You Think That Paid Education Should be Introduced Into Public School?



Source: Public opinion poll

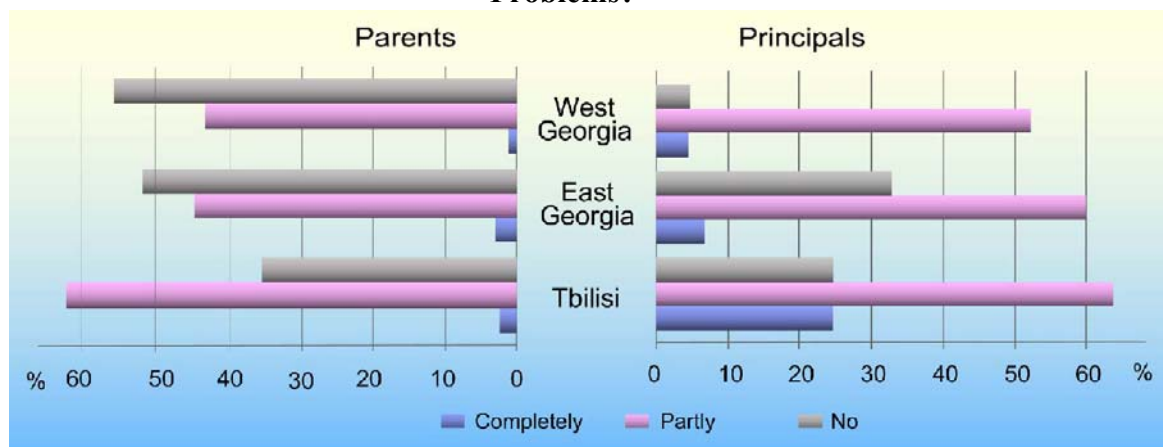
parents (60%) and principals (74%) agree that such practice should be formally acknowledged. Both parents and principals consider that *introduction of a paid education model in public school* may only partially solve its problems (see Chart 4). Throughout Georgia 49% of parents answered, “yes, this can partly solve public school problems” and 50% “no, it can not”. Unexpectedly 58% of principals answered that paid education can partly solve public school problems, 7% answered that this may solve these problems completely and only 35% did not see advantages of paid education. And as usual, trends towards introduction of paid education are more pronounced in Tbilisi – here 75% of principals and 65% of parents believe that

²⁹ I did not ask school principals this question.

payment may solve public school problems. This is interesting that in a country with long-standing traditions of free education majority of respondents do not reject idea of introducing some kind of payment into state public schools. Parents and principals opinion outside the capital also came rather close answering the question what amount per students/per month should parents be charged in order to solve problems of their particular school. Almost 9/10 of parents and more than 70% of principals see this amount as about 25 Lari. On the other hand in Tbilisi a quarter of parents see this exceeding 26 Lari, while 69% of principals want it exceed 26 Lari, including 26% of those who see this exceeding 51 Lari per month (average teacher's salary is 60,8 Lari).

- Asked about *reasons of possible corruption in a public school system* parents throughout Georgia provided a number of alternative reasons, although low level of teachers' remuneration remained the leading one (70%), followed by presence of general corrupt situation in the country (15%), low moral properties of teachers (10%) and absence of control (5%). Interestingly only respondents in Eastern Georgia talk about moral properties of school personnel (25% of all respondents here), while only respondents in the capital pay attention to absence of control (33,3%). On a country level principals gave virtually the same answers as parents. On the local level this picture looks quite different, especially again in the capital. Only 56% of principals here, versus 67% of parents said that a low level of teachers' remuneration was the leading reason of corruption in school, while one third of principals pinpointed moral properties of school personnel among its leading causes.

Chart 4. Do You Think That Paid Education May Solve Public School Problems?



Source: Public opinion poll

- Overwhelming majority of parents (89%) and principals (76%) support the idea that *model of paid education should be flexible* and allow each school introduce paid classes alongside the free of charge, or introduce paid education where it considers it possible. School principals were also asked if they *consider social cost of (hypothetical) shift to paid model of school education unjustifiably high* even if the very existence of public school system depended on this. Almost ¼ of all respondents find it difficult to answer this question, while 40% consider it

high, versus 36% who think this as acceptable option. Again there are strong local differences showing mainly that those who are the least committed to attracting additional money for school functioning today (Western Georgia) are less afraid to introduce some kind of paid education.

Do you consider social cost of shift to paid model of school education unjustifiably high?

	Tbilisi	Eastern Georgia	Western Georgia
Yes	45,6%	50,0%	30,3%
No	26,3%	22,6%	51,4%
No answer	28,1%	27,4%	18,3%

3. Analysis made above show that chances of radical improvements in school education on expense of positive macroeconomic development are infinitesimal. Thus stabilization and may be some kind of positive development may be achieved either by redistribution of existing resources within the system or attracting private finances, i.e. radically changing status of the system.³⁰ Questions are:

- How efficiently are finances allocated today? And
- Is it possible to introduce radical changes into existing procedures if necessary?

By constitution Georgia is a federal country, incorporating two autonomous republics Abkhazia and Adjara. First is currently outside the Georgian control, although retains some kind of government in exile and associated structures, including schools. Adjara is semi-independent in effect, to the extent that it for number of years refuses to transfer taxes collected on its territory into the central budget.³¹ By law local governments (58 districts, 2 autonomous republics and the capital Tbilisi) are in charge of financing public schools.³² For this they have two sources of income – local taxes and other local revenues and central budget transfers. Transfers play a key role in financing school education for vast majority of local governments and amount to about 40% of all local education expenses. Of 58 local governments under consideration only 10 did not use transfers in 2001 (including Adjara autonomy and Tbilisi).³³

³⁰ This second option, as it is today was considered above.

³¹ One of the major consequences of this was that it managed almost double teachers' salaries in 2001.

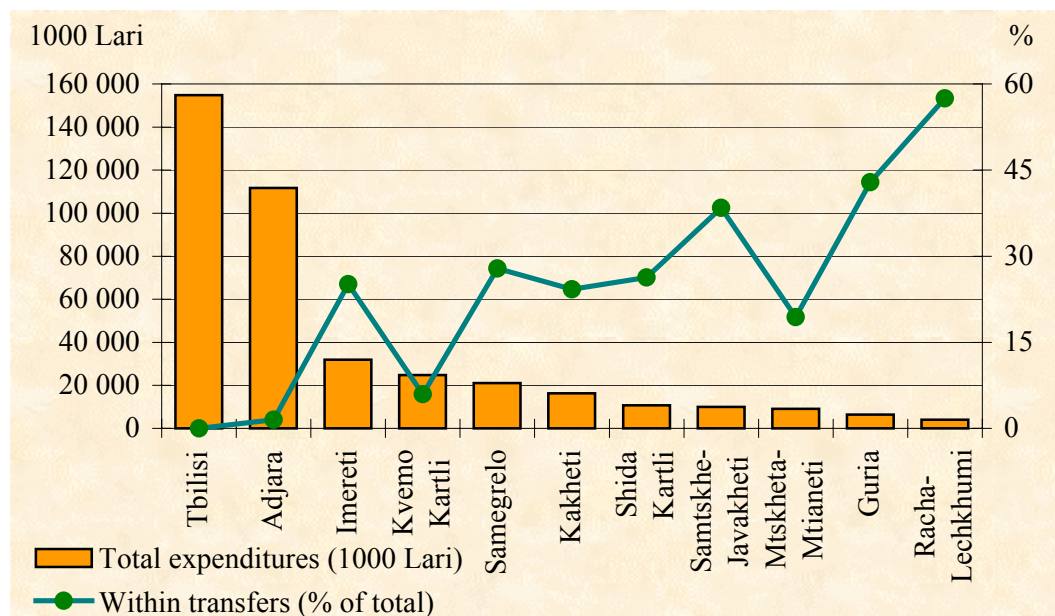
³² They are also obliged to finance pre-school institutions, some specialized schools. Some money is also allocated to vocational education, schools for handicapped children and some higher education institutions, although public school expenditures exceed 2/5 of all local educational spending.

³³ A fact that local government is able to support schools without support from a central budget does not mean that it's doing it better. General conditions of school education vary too much less extent than one may imagine.

Of remaining 51 in 45 transfers covered more than 50% of education financing while in 17 it exceeded 85-90% of education budget often approaching 100%. It is important to notice that Ministry of Finances in recent years fulfils transfer obligations by 100% making them the only guaranteed source of local education financing. Virtually all local budgets are too weak to fulfil they obligations in total and are generating arrears, especially salaries, sometimes dating back to 1998. As to end of December 2002 salary arrears were approaching \$9 mill of which 72% came to just 18 districts, sometimes exceeding total annual teachers' salaries (this coincides with conclusions of survey which also indicated that problem of arrears is mainly limited to restricted number of districts). Only 11 territorial units did not have these arrears, including the capital and Adjara autonomy. Again as was reflected in the public opinion polls 76% of these arrears came to Western Georgia (excluding Adjara).

Not only majority of local schools are heavily depended on central budget transfers. Education transfers also amount to a lion's share of all transfers disbursed to local governments, while education more often than not represents a single largest item of budget expenditures. In 20 districts education amounted to 100% of transfers while in all others it was not less than 80-90%. In 40 districts education expenditures exceeded 50% of all local expenditures and only in Tbilisi it reached just about 20%.³⁴ Although in majority of districts transfers do not exceed 30-40% of total expenditures, their actual role in local finances is unjustifiably high stemming again from the fact that these are the only guaranteed spending items. This again makes education sector the most important one for local budgets – first because almost all transfers come to

Chart 5. Role of Transfer in Region Expenditures, Year 2002



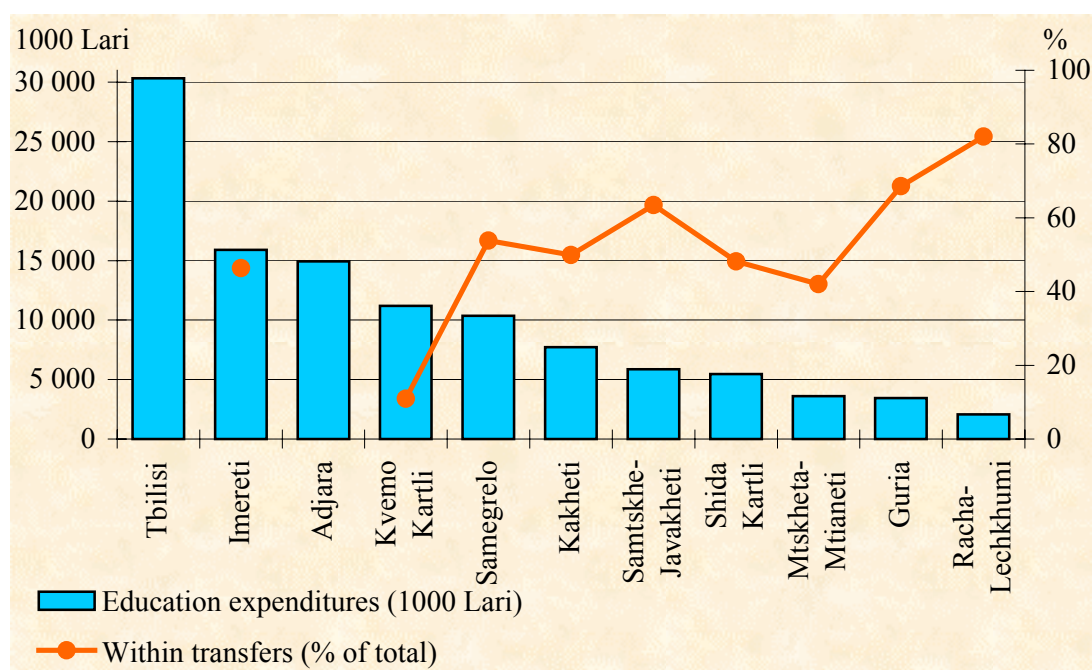
Source: Ministry of Finance

³⁴ I use very approximate percentages and word “about” all too often because quality of information provided by Ministry of Finance is such that two officials sitting *vis-à-vis* each other may provide basically different data on the same subject.

education; second – almost all these transfers consist of salaries that belong to so called “protected” items and cannot be sequestered, providing districts with badly needed cash, third – considering the current state of relations between a federal and local governments actual spending of this money is almost totally outside any control.

Up to 2002 amount of transfers by districts was a result of some personal dealings between officials of Ministry of Finance and local government with all pending consequences. Absence of virtually any standards and norms in education again played very important role in possibility of such private dealings. Starting from 2002 Ministry of Finance allocates transfers according to formula especially devised for more equitable distribution of resources free of any personal profiteering. If this brings some positive results remains to be seen – in Georgia today good intentions usually pave roads to hell. Besides this formula heavily depends on total amount of population – data that even under Georgian conditions is considered extremely unreliable.³⁵ Plus education transfer again amounts to more than 75% of total should be based on amount of school age population, rather than total.

Chart 6. Role of Transfer in Region Education Expenditures, year 2001



Source: Ministry of Finance

In addition to all the above-mentioned transfers of this kind play strictly negative role, simply discouraging local governments from improving mobilization of their own resources. They are disbursed notwithstanding the actual performance of sector they are intended for. It looks like that they are mostly applied as policy instruments in relations between federal and local governments. Of course they to a large extent

³⁵ 2002 census data is not available even today and definitely by time of calculating transfers only available population data was based on adjusted 1989 census results. Considering magnitude and intensity of primarily uncontrolled and unregistered population movement since then any such calculation may come close to actual numbers only by chance.

reduce formal budget independence of local governments, but also work the other way being used as potent instruments in actual power sharing between centre and regions.³⁶

This kind of transfer naturally strongly discourages local governments from rationalizing public school system too. More schools, more teachers – more transfers, especially if district is very weak economically and its finances in disarray. Data in Table 1 and charts 5 and 6 provide some information on interdependencies among school education variables. For instance there is rather high positive correlation (0,597) between education expenditures within transfers and per student education expenditures, i.e. more transfer you receive better off are financially students in your particular administrative unit.³⁷ Even higher are correlated (0,785) total expenditures within transfers and share of school expenses within all local expenses. Again – school education plays decisive role in transfer arrangements and is in turn allocated the lion's share of unearned money. In this case instead of performing equalizing role they are formally entitled to, transfers do something opposite – providing inequality. Better performing administrative units are factually punished, while those lagging behind can rely on this system to give them some relief using public school system as a pretext. It's only natural that local governments (excluding the capital quite naturally) fight claw and tooth to preserve school education as it is, without any changes.

Table: 1. Local budget total and per student school education expenditures by regions in 2001-2002 academic year

Regions	School Expenditures (% of all expenditures)	Per student expenditures (Lari)	Per student expenditures (% of national average)	Student/teacher ratio	Per school expenditures	Student/school ratio
Abkhazeti	11,3	113,2	97,6	-	25500,0	120,2
Adjara	8,9	145,1	125,1	11,8	24745,0	170,6
Tbilisi	11,4	108,2	93,3	14,9	78876,3	728,5
Kakheti	36,4	94,8	81,7	10,0	23321,6	245,8
Imereti	39,4	114,9	99,1	10,3	23920,6	208,1**
Samegrelo	39,8	126,0	108,6	9,7	14434,4	161,1
Shida Kartli	41,1	81,7	70,4	11,5	17294,4	211,6
Kvemo Kartli	37,8	108,9	93,9	11,6	26782,1	246,0**
Guria	48,1	137,5	118,5	9,7	19478,8	141,6
Samtskhe-Javakheti	58,2	146,3	126,1	9,3	22587,9	154,4
Mtskheta-Mtianeti	32,0	141,0	121,5	9,7	14434,4	102,4
Racha-Lechkhumi	42,0	255,6	220,3	5,3	14330,6	56,1
Total	19,9	116,0	100,0	11,2*	25525,6	220,1

³⁶ There are special transfers used to offset losses suffered by districts through *not collecting* a land tax. Such transfer is applied for instance to Marneuli district where climatic and soil conditions allow for three harvests per year and which is quietly getting rich serving Tbilisi agricultural markets.

³⁷ Of course this does not mean that they are provided higher quality education services.

Source: Ministry of Education, Ministry of Finance, the WB Georgian Education System Realignment and Strengthening Project

* Student-teacher ratio and per class expenditures calculated without Kazbegi, Martvili and Tianeti districts' data

** Local regional centers -Rustavi – 699,2 students per school, Kutaisi – 560,6

Their activity is strongly supported by the prevailing public opinion that is adamantly against any change of existing status and rationalization of school system. Even to speak out for support of any measure that may lead to some contraction of the system may cost career for politician or state functionary of any rank or affiliation. Even some opposition leaders usually outspoken become uncharacteristically mild and vague speaking about changes in a school system.

Rather well organized school sector employees further strengthen this attitude fighting to preserve their however meagre but guaranteed income that is rather rare in Georgia, especially outside the capital and a couple more development centres. Considering that local education employees (about 110 thousand) constitute exactly $\frac{1}{4}$ of all state employees and are the largest single remaining group, their collective voice sounds very loud. Besides especially in small districts teachers with people they are able to influence (family members, parents) constitute too important part of electorate to be confronted. President of Georgia went as far as to proclaim public school system “inviolable” to any reductions in his election program back in 2000. Part of political opposition at the eve of parliamentary elections in November 2003 started to form alliances with schoolteachers' trade unions aimed at preservation and maximization of amount of teachers' work places apparently in exchange for political support (although this is not voiced).

On the other hand again outside the capital and few other localities public school system badly needs restructuring (see Charts 6.1 and 6.2, Table 1). According to the latest findings of the WB education program in Georgia out of more than 3100 schools only 1400 have *more than 100* students. Majority of schools in the country are so small that defy any economic and managerial logic. Student-teacher ration often even does not deserve a comment, sometimes in smaller schools being 1/1.

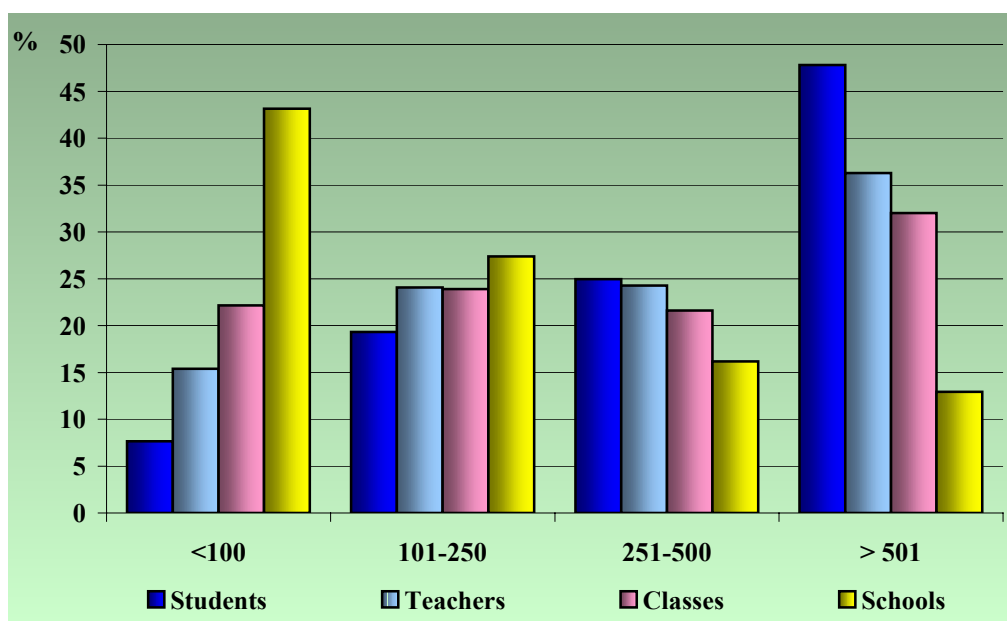
Such situation is formally legalized by existing legal and normative acts on school education. By order of MoE #305 June 21, 1996 minimum amount of students per school – elementary – 6, basic - 56 and secondary - 76. Logic behind such decision is hard to understand. This attitude is further strengthened by law of development of mountainous territories, which states that in mountainous settlements elementary school may be opened if there are at least 3 applicants, basic school – 6 and secondary school – 21 applicants. Considering that villages are included into special list defining their “mountainous” status more by default rather than according to some objective criteria, this law turns into a potent tool to preserve inefficient school organization in a majority of Georgian regions.

Also according to order #305 mentioned above a maximum amount of students per class should be – I grade – 25, II-IX- 35, X-XI- 30. In specific cases (especially village schools) minimum amount of pupils per class may be 10. Order #277 of June 12, 1996. Paragraph 4 – opening of below the standard classes is at discretion of local governments. All this pinpoints only one thing – local governments have a legal

option to open and maintain schools and classes of any size they see fit, disregarding all other considerations. Whether this makes any economic or managerial sense – that does not matter. They also are able to preserve as many teachers as they like – order #276 of June 12, 1996 just does not “allow full time teachers with load less than 0,5 of the standard”, meaning at the same time that any school principals able to keep officially 2 teachers per post if he/she so wishes.

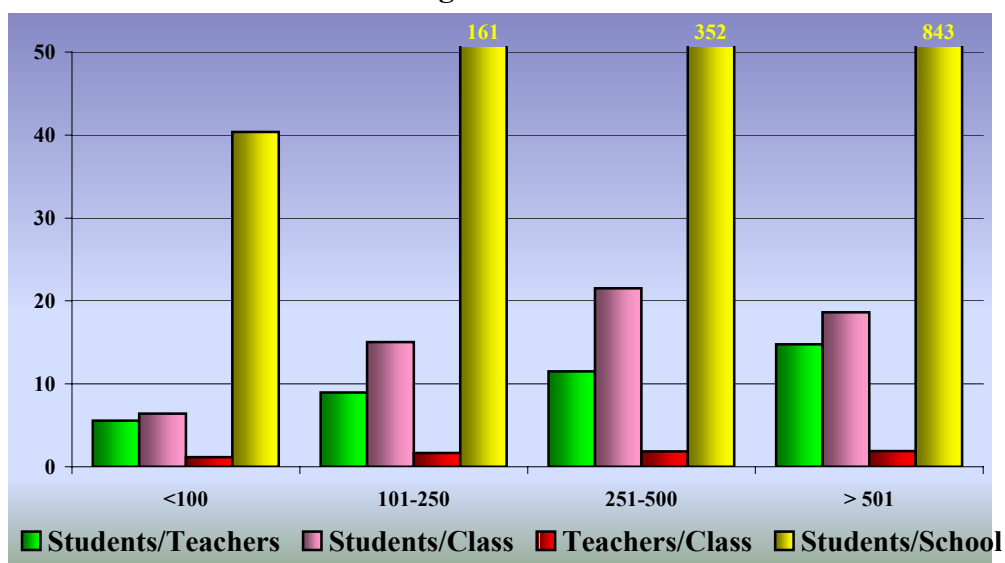
Unfinished devolution also works in the same direction. Schools formally belong to and are financed by local governments. At the same time Ministry of Education retains right to open/close schools and to appoint/dismiss school principals. In reality

Chart 6.1. Structure of the Georgian Public School



Source: The WB Georgian Education System Realignment and Strengthening Project

Chart 6.2. Structure of the Georgian Public School

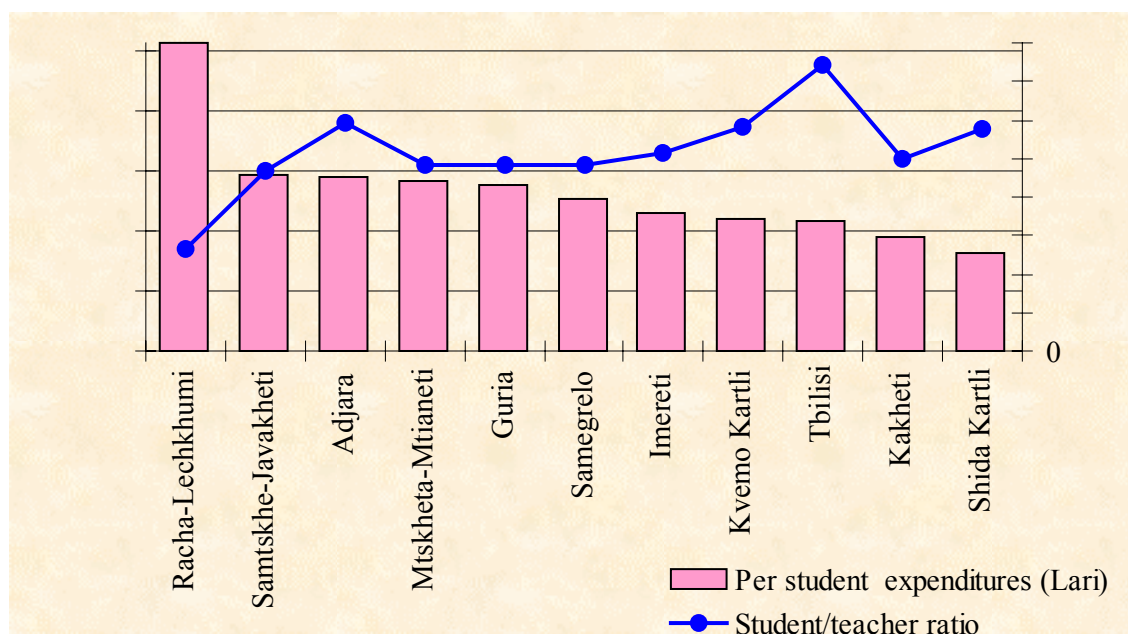


Source: The WB Georgian Education System Realignment and Strengthening Project

though the Ministry can do little to contradict local governments, which usually reach results they like without formally being responsible for them.

There is also a rather enigmatic situation with per student financial allocation on regional and district levels. As it was mentioned numerous times elsewhere in this text since 90% of financial allocations for schools goes to salaries, while rules and standards are the same for the whole Georgia, theoretically at least per student allocations should not vary to a great extent. In reality regional differences are rather impressive. And again the better performing administrative units are “punished” (see Table 1). The capital receives per student allocations below the national average, while may be the worst performing Racha gets more than twice that much.³⁸ For instance students in Oni district (Racha region) receive at least three times more allocation than students in Gori (Shida Kartli). Reason of such difference is hard to find – at least I could not get any definite answer from any of numerous experts or officials I’ve consulted.³⁹ This problem calls for a further detailed consideration, but at least partly it might be explained by the obvious difference in structure of public school systems among districts and regions (see Charts 8.1. and 8.2. on structures of public school systems in districts under consideration). It looks again the least

Chart 7. Local Budget Per-Student Education Expenditures by Regions (academic year 2000-2001)

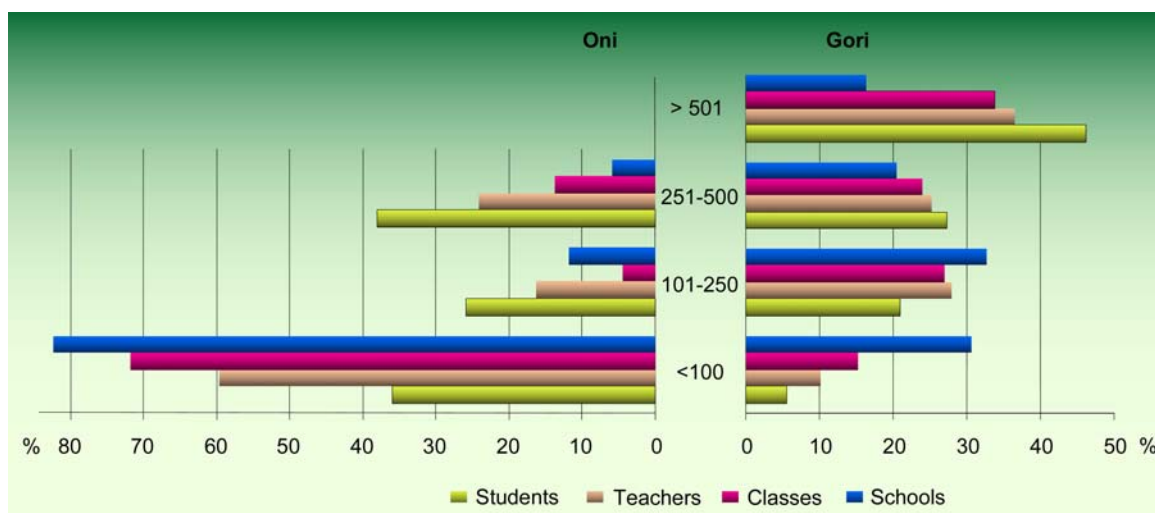


Source: Ministry of Finance, The WB Georgian Education System Realignment and Strengthening Project

³⁸ Adjara naturally does not count since it retains all taxes collected on site.

³⁹ As I suspect they were hardly aware of this fact.

Chart 8.1. Comparative Structure of Public School Systems in Districts with Highest and Lowest Per-Student Allocations



Source: The WB Georgian Education System Realignment and Strengthening Project

efficient is the system, more small schools it contains, more are the chances for attracting the additional finances, especially central budget transfers (correlation between per-student/per-school expenditures is $-0,270$). Of course ability of local officials to establish “correct” contacts with the MoF may also play the decisive role.

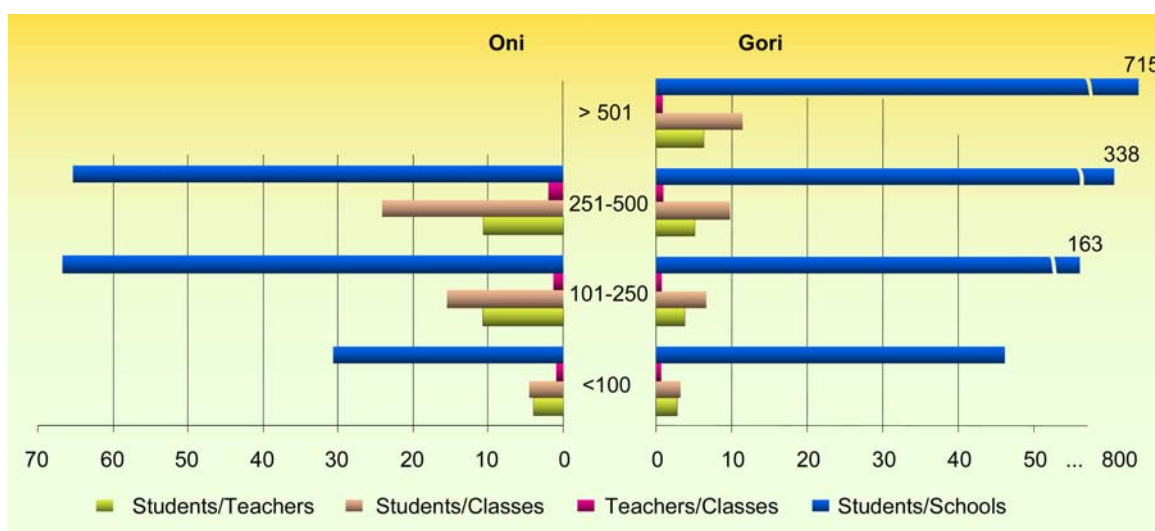
All this together leads to a situation that may be called “unhealthy”, if not often altogether corrupt. Especially smaller districts are sometimes going too far to preserve formal amount of students enrolled in schools and thus the very schools and teachers employed there. There is persistent talk about registering the same students into two or more schools, opening appropriate classes on September 1 and then removing these papers using some convenient pretext. Actual amount of public school sector employees is also one of great mysteries of Georgian education. Information varies from reporting agency to agency and from year to year to such extent that leaves observer puzzled. While larger urban centres where student/teacher ratio is more or less acceptable and number of school personnel is either relatively stable or reducing, in quite many smaller districts it looks like growing sometimes in extent of 15-20% per year or even more.⁴⁰

All these only adds to financial and managerial inefficiency of school system but is hardly fought – MoE is actually unable to intervene, local governments are parties the most interested to preserve it as it is today. Public control is virtually absent. Thus any rationalization in school education even where it’s most obviously needed is very hard to implement. Besides, and this is the most important, local school finances are abused in a grand manner. As exception, they are simply misappropriated. For instance the Chairmen of Tbilisi City Council during his February 2002 discussion on

⁴⁰ If one may take for granted information on amount of teaching posts provided by the MoF.

Rustavi 2 TV channel said that at least half of funds earmarked for education in the capital in 2002 were “stolen”, but this is at least 1/6 of all Georgian education budget. On the other hand, local experts whom I consulted on the subject suppose that the majority of school money is “redirected” in a manner as it is usually done with pensions. At least 90% of this money is intended for salaries, which is disbursed in a form of cash (paper bills actually), since the local banking system is undeveloped and besides schools have no bank accounts at all. Local authorities use this money

Chart 8.2. Comparative Structure of Public School Systems in Districts with Highest and Lowest Per-Student Allocations



Source: The WB Georgian Education System Realignment and Strengthening Project

(especially when it arrives in bulk as transfer) to lend to local businessmen at rates lower than the formal bank rates. These last use it for highly profitable, quick transactions – to buy and resale for instance cigarettes, alcohol, petrol and like.⁴¹ Sometimes such operations are successful and money goes back to school with relatively short delay, sometimes they are not, or locals simply decide to keep the money and schools are deprived of salaries. Again there is hardly any control – formal or other. Local governments are even legally outside the control – no one is by law able to interfere into their budgeting or spending processes. Not that this is bad on principle – the process of decentralization is aimed on establishment of unimpeded local responsibility. Problem is that local governments in Georgia, especially on the basic, district level are still half-cooked, very weak structures. Their status has been reconsidered at least three times during last few years and in the current form they are virtually impotent, organized in a way which allow them to make decisions only if these suit president’s local appointees (at least this happens in the vast majority of cases). Besides more often than not these governments are controlled by local strongmen and the last local elections (in 2002) may serve as a classic example of how they should not be organized. Council of Europe in its evaluation of these elections went as far as to warn Georgian authorities that if forthcoming parliamentary

⁴¹ The same happens with pensions – but on the federal level. It looks like that we observe some kind of division of labour between federal and local authorities.

elections would in any way resemble the local one, Georgia would be suspended from this organization (sic!). Thus there are little chances that school finances are used in some orderly way, at least in the near future.

Logically the best way to curb the local abuse of education finances is to rationalize school system thus reducing financial base for such activities and to make control easier taking care of numerous, extremely small village schools. But there are questions of social costs and actual financial gains of such rationalization (if any). All local experts I talked to agree that closure of schools in villages would almost certainly lead to the following consequences:

- Majority of children (especially of younger age groups) will cease to attend school at all. However small this number of dropouts may be compared to total in the country this is a cost society is not ready to accept. Arranging transportation for such children is so costly that it's cheaper to maintain school with up to 15 teachers than one school bus (even disregarding its purchase expenses). Boarding schools are also not the option based on the same considerations, besides they are notoriously mismanaged and poorly organized;
- For majority of rural settlements schools perform very important unifying function. Today, when almost all other functions are gone, social life in villages concentrates around school that represent some island of stability during troubled times. Fate of village is directly tied to fate of school. If school goes village goes too. At least sharp drop in birth rate and intensified out-migration of younger population are observed.

Besides the actual economy that may be achieved this way would be too small to in actual numbers to lead to any real positive results. This is a fact often overlooked by the majority of observers – total public school expenditures accounted to about \$ 40 mill in 2001. This is less than by the most conservative estimations is needed to stabilize and provide some development impetus for school system only in the capital. Any rationalization process will gain too little in financial terms to improve considerably overall situation in the system. May be the only rather easily acceptable and implementable measure that will provide visible financial gains is increasing per teacher weekly load by $\frac{1}{4}$, measure that is strongly recommended by the majority of experts. All other rationalization measures are necessary to curb a general process of degeneration of a school system and introduce some kind of order and discipline, redistribute rights and responsibilities, redefine priorities but not to improve overall financial provision.

From standpoint of decisive improvement of financial provision of school system prospects are rather gloomy. Resources available for government both on macroeconomic as well as ministerial and local governments' levels are too small to turn the tide. This leaves the only option available – development and legalizing the system based on private contributions. Still there is a question of public acceptance of such measure.

4. Here are the most general conclusions from analysis provided above:

1. Corruption inside the public school system in Georgia, as compared with the overall situation in the country, is more than tolerable and rather mild. Although the actual amount of people participating in the process is rather

high, amount of money that can be misappropriated on principle looks rather small, even if we consider that all contributions are illegally disbursed. Such possible causes of corruption as exemplified in private contributions and above the curricula instructions can be easily taken under control provided that some clear, simple and transparent rules of conduct are introduced. The difficult part is in who is going to control this process. In the absence of civil society the public control is virtually absent and will hardly be present in the short to medium run. Any formal controlling organization in Georgia in turn simply ends up requesting a cut in illegal profits and encourages them instead of curbing (at least this invariably happened till up today). As to rewarding privately teachers for services provided, this practice is so deeply ingrained in the local social customs that start to actively fight it today will hardly bring any positive result. Besides again the actual scope of this process (especially outside the capital) is strictly limited due to the obvious insolvency of population and loss of interest in education.

2. Problem of misappropriation of funds earmarked for schools on the local government level is much more serious and dangerous for schools. But this problem is mainly created and exists outside the school system proper. Schools in this case are just used as a pretext to abuse local finances since this system is virtually the only one functioning on the local level, deserving (and requesting) proper financing. How to fight this is hard to say on this stage of research, especially considering that such problem is outside the framework of this investigation and properly belongs to domain of structural reforms, namely local government reform process. I also consider that development options aimed at setting up a foundation to fight this type of corruption cannot be realistically implemented in the current economic and political setting. On the other hand due mainly to this problem public school system is may be deliberately left in its very inefficient form which provides local governments with opportunity to apply for and acquire extra finances they do not actually deserve. This part of problem needs the extra attention, since leaving the situation as it is today may create plenty of additional, unnecessary problems for already weakened public school system.