



CENTER FOR REGIONAL DEVELOPMENT
TRANSPARENCY INTERNATIONAL ARMENIA



**EXPENDITURE TRACKING AND
PERFORMANCE MONITORING IN SCHOOLS
OF SHIRAK MARZ OF ARMENIA**



Yerevan – 2004

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INTRODUCTION

Armenia experienced deep economic and social crisis as a result of radical structural changes in political, economic and administrative systems at the beginning of 1990s. In 1990-93, Armenian GDP decreased more than two times and in 1993 it was only 46.9% of 1990 level, the largest decline in GDP among CIS countries¹. The consequence was widespread impoverishment of the population and striking income inequality. Though later economic growth in Armenia restarted (from 1994) and continues until now at a rate averaging about 7% annually, serious economic and social problems, in general, are not overcome.

The secondary education system of Armenia also seriously suffered from the economic difficulties. In particular, the level of public spending dramatically decreased. In 1989 almost 8 % of the GDP of Soviet Armenia was allocated to education sector, whereas in 2002 it was only 2.2% of Armenian GDP. The decrease in spending had a serious negative impact on the quality of education. Though since 1998 budget allocations to education persistently increase (from 10.9 bln. Armenian Drams (AMD) in 1998 to more than 23 bln. AMD in 2003) it still remains absolutely insufficient to stop the deterioration of the secondary education system and decline of the quality of education. These negative effects hinder economic growth of the nation and contribute to the increased levels of poverty. The situation becomes even worse because of the spread of corrupt practices in the schools, which can be mainly attributed to insufficient funding and low salaries of schools employees.

Since 1997 the Armenian Government initiated comprehensive reforms to address the problems of the secondary education system, aimed at its decentralization and financial and organizational optimization (more about these reforms see in Appendix 2).

These reforms, as well as other measures aimed at the improvement of the quality of education, could be successfully implemented, if efficient policy and regulatory mechanisms are developed and institutionalized. This can be achieved in part through the increase of transparency and accountability and reduction of corrupt practices among the policy-making and policy-implementing governmental structures, real involvement of school boards and participation of the community in the management and monitoring of the schools.

In June 2003 – June 2004 the Center for Regional Development/Transparency International Armenia (CRD/TI Armenia) implemented a project entitled “Expenditure Tracking and

¹ *Poverty Reduction Strategic Program*. p. 27 Information Analytic Center for Economic Reforms. Yerevan, 2003.

Performance Monitoring in the Schools of Shirak Marz of Armenia". The Project was funded by the OXFAM Great Britain. During the implementation of the Project: a) the flow of the means from the state budget to the bank accounts of 8 selected schools of Shirak Marz (province) and the use of these means spent during fiscal year 2003 were tracked and their results were disseminated among the members of the communities, where the selected schools are located, and, b) a survey was carried out aimed at monitoring the performance of the secondary education sector of the Shirak Marz.

The Project applied the participatory public expenditure management (PPEM) methodology. This methodology became popular among civil society organizations throughout the world since 1980s, when it became clear that the governments failed to resolve the problem of poverty. This failure was a result of insufficient spending on pro-poor programs or their inefficient implementation. Such situation prompted much greater public participation in the management of public finances to promote transparency and accountability of the government spending and performance.

The concept of PPEM is based on the public participation in all stages of the government budget cycle. In the *budget formulation* stage the citizens participate in allocation of public funds, or, even in some cases, formulation of an alternative budget. At the *budget analysis* stage they assess the volumes of the allocated funds to find out how equity and social justice considerations are reflected in the government's budgets. The involvement of the citizens in the *budget expenditure tracking* stage allows them to track how the allocated money is spent. In the final, *performance monitoring*, stage the citizens measure the performance of the government to evaluate how efficient the allocated money is used. The two last stages were applied in this Project.

The budget expenditure tracking was preceded by the selection of the schools, whose budgets later were traced. The selection was carried out on a voluntary basis and eight schools were selected, which met certain criteria defined prior to the selection (see more in detail *Appendix I*).

Budget tracking was carried out twice during the implementation of the Project - first for the first half of the fiscal year 2003 and then for the whole fiscal year 2003. It was aimed at obtaining information from the government on the budgets of the selected schools as an exercise of the citizens' right to information (in this case it was the exercise of the CRD/TI Armenia's as civic organization's right to information). It was a Marz level study using of such cases that represented the cross-section of Shirak Marz including schools of urban, rural areas, alpine, border and remote villages. The generation of data was realized through the

official inquiries of CRD/TI Armenia to the Department of Education and Department of Financial and Social-Economic Development of Shirak Marzpetaran (Office of the Governor). These data were then verified during the meetings with teachers, parents and members of communities of the selected and other schools and analyzed to reveal possible malpractice and deficiencies in the government spending. After the budget tracking data were analyzed they were disseminated among the members of the communities of the selected schools to increase their awareness on school financing issues and shape public opinion on such issues.

The last stage of the Project was monitoring of the performance of the secondary education system of Shirak Marz to determine the quality and satisfaction from the education services rendered by the schools. The *citizen report card* methodology was applied to implement performance monitoring. It involved the administration of a province-wide survey of those households where pupils live. The survey was supplemented with two expert focus group discussions, one held with the experts of the Armenian Ministry of Education and Science and the other – with the experts of Shirak Marzpetaran. The preliminary results of the Project were reported at the workshop held in Gyumri at the end of the Project in June.

This is the first project in Armenia, where the budget tracking and citizen report card method of performance monitoring elements of PPEM were implemented. Today PPEM techniques are used worldwide in different areas, such as education, public health, local self-government, etc. Thus, this project could serve as a pilot test for the applicability of PPEM methods in Armenia, especially in monitoring and evaluation of the Poverty Reduction Strategic Program (PRSP) and Anti-Corruption Strategy Program, adopted by the Government of Armenia in August and November 2003, respectively.

The most valuable contribution of the Project to the international experience of PPEM implementation is that the implementing organization (CRD/TI Armenia) incorporated in it the characteristics of intermediary groups and citizens' initiative groups. As a civil society organization, CRD/TI Armenia applied to the government to obtain information on budget as an exercise to the citizens' right to such information, and evaluated regional government's performance as an exercise to the citizens' right and responsibility to keep the regional government accountable. At the same time, as an organization located outside Shirak Marz (the Project site), CRD/TI Armenia acted as intermediary group between the members of the communities where the selected schools are located and regional government. That was important, as just from the start of the Project it became evident that currently community members and parental or pedagogical councils of the selected schools were neither capable

nor willing to participate in such monitoring efforts. Time and serious efforts are needed to empower them and perceive that they will benefit from being actively involved in participatory monitoring activities and getting familiar with international experience in the field.

BUDGET EXPENDITURE TRACKING IN THE SELECTED SCHOOLS OF SHIRAK MARZ

Methodology and Implementation

In budget expenditure tracking, community members or civil society organizations look how the money allocated to entities funded from state budget reaches to those entities. The major purposes of budget expenditure tracking in this Project are a) to see how accessible to the civil society organizations were the government officials, from whom the budgets of the selected schools were requested, b) to generate and analyze data for revealing possible problems occurring in the flow of funding from the state budget to schools, and, c) to shape public opinion through disseminating the obtained information among the members of the communities of the selected schools.

In October 2003, after the selection of the schools, the Project Team approached the Department of Financial-Economic and Social Development of Shirak Marzpetaran with request to submit detailed factual budget data for the selected schools for the first half of the fiscal year 2003. The Department provided the requested information, as well as submitted annual estimated budgets for those schools for the 2003 fiscal year. The same request CRD/TI Armenia made to the same Department to obtain annual factual budgets of the same schools for the fiscal year 2003 in February 2004 and this request was also satisfied.

After these data were received, the Project Team verified them using information received from various sources, such as teachers (mainly about timely receipt of salaries), parents, pupils, school principals of both selected and other schools of the Marz, etc. It should be accepted though that the verification was not very accurate (especially for the first half of the year) for two major reasons. First, the collection of budget data for the first half of fiscal year 2003 started in October 2003, and, thus, the tracking in part had *post factum* character, as the first half of fiscal year 2003 ended on June 30, 2003. Obviously, the verification of the first half-year data could be not so accurate as it took place only in November 2003, i.e. five months later after the end of the first half of the year. However, as there are no intermediate chains in the flow of funding from the state budget to school accounts (see below), hardly there could be any deficiencies in data. Second, it appeared that in reality neither the school boards nor pedagogical or parental councils, which could provide the most accurate information, knew anything about the school budgets.

Data verification was mainly about timely receipt of teachers' salaries and revealing how the schools were heated during winter. These two items, together with payments to the Social Insurance Fund, constitute more than 90% of the most of the schools' budgets. Such questions were asked privately to teachers, principals, pupils and their parents. In both cases the answers were positive, though almost everywhere there were complaints that the heating oil or electricity was not enough to sustain normal temperature in the classrooms.

In order to shape public opinion in the communities of the selected schools, two cycles of public hearings (first in November 2003 and the second – in March 2004) were organized to disseminate and discuss the obtained data received from budget tracking. The conduct of public hearings first of all was aimed at disseminating the results of budget expenditure tracking. These hearings also allowed understanding how functional are the school boards, parental and pedagogical councils in performing their functions, as well as how willing and capable they are in implementing elements of PPEM.

Results of Budget Expenditure Tracking

During the implementation of the Project the budgets of the schools were accessible and transparent for CRD/TI Armenia. The officials from Shirak Marzpetaran submitted all required information on the budgets of the selected schools in a timely manner. However, one must be cautious in generalizing this conclusion. It could be generalized, if similar undertakings carried out by other NGOs or civil society organizations throughout Armenia would yield to the same results.

The analysis of the budget expenditure data revealed that the funds allocated from state budget in fiscal year 2003 reached the selected schools in full volume and without serious delays (maximum delays were 7 days). From the conversations with education officials, school principals, teachers and experts it became clear that this is a common practice for the whole secondary education system of Armenia. Unlike most of the developing and many post-Communist countries, the budgetary system of Armenia ensures direct wire-transfer of budget means from the state budget to the school accounts, and there are no intermediate chains in that flow. Therefore, any irregularities in the flow of funds from state budget could occur only as a result of macro-level problems affecting the state budget, such as mis-collected revenues from taxes and duties, unplanned expenditures, etc. According to the official statistics and Government Annual Report on the Execution of the 2003 Fiscal Year State Budget, the fiscal year 2003 was one of the most successful years of Armenia since its independence in 1992, and such irregularities did not take place.

The analysis of budget expenditure data revealed other interesting facts as well (see Tables 1-8). In average, about 95% of the school budgets was allocated to the salaries of the teachers and other staff of the schools, payments to the Social Insurance Fund and heating/electricity (some schools, mainly old ones, are heated by heating oil and, in rare cases, gas, and others by electricity).

It should be also mentioned that the analysis of the budgets of the selected schools did not reveal any qualitative differences in spending patterns among these schools, when compared by their selection criteria (see *Appendix 1*). Quantitative differences are conditioned by the number of pupils studying in the school, if the school is funded on the per-pupil basis², method of funding (per-pupil vs. “protected”, see more in detail in *Appendix 2*), school management and their geographical location³.

Allocations to other items (stationery, building maintenance, business travel, etc.) were miserable. In addition, the teachers’ salaries were very low (around \$30), and funds for heating - small. Such pattern and sizes of funding provided by the state can allow the schools to survive, but it is absolutely not sufficient for their development.

In such situation, it becomes crucial for the schools to raise extra-budgetary funds, which they are permitted as state non-commercial organizations. However, as it became clear from the budget tracking, transparency of the flux and use of extra-budgetary funds is a serious problem not only for the selected schools, but also for the most of the Armenian schools. These funds are mainly in cash and are collected from the pupils and their parents for various reasons (starting from conducting repair works and finishing with organization of graduation parties). The school boards do not control extra-budgetary funds. Only one out of 8 selected schools (School N10 of Gyumri) had separate bank account for extra-budgetary funds. Those who donate money to schools as a rule give money in cash. In addition, if someone in rural areas wishes to make donation to schools in the form of transfer of money to the school account, then he/she must travel to the bank of the nearest town (where the school opened its account since the banks have no branches in the villages), which is an additional complication for potential donors.

² Total budget allocated to such school is defined by the formula $B = A * N + C$, where A is the sum allocated to one pupil (in 2003 it was 26,764 AMD or about \$48), N – number of pupils, and C – costs on the school maintenance, which is the same number for all such schools and is equal to 3.4 mln. AMD.

³ The funding allocated to the schools funded on the per-pupil basis depends on the altitude of the settlement, where such school is located. If the school is located in the alpine zone (2,000 meters above the sea level), then its budget is defined by multiplying the amount defined by the formula described in *Footnote 2* by coefficient 1.25. For the schools located in the mountain zone (from 1,601 to 1,999 meters above sea level) this coefficient is equal to 1.04.

Public hearings revealed that in all selected schools the boards and parental and pedagogical councils were dysfunctional. The members of the school boards do not perceive themselves as participants of decision-making processes in the school management. In general, as the discussions with the Ministry of Education and Science and Shirak Marzpetaran experts and publications in the press revealed, this conclusion is true for the overwhelming majority of the Armenian schools. A much more thorough study with well-defined research questions should be carried out to understand the current situation with school boards and, in general, the problems occurred during the implementation of the reforms in the secondary education system. Obviously, such structures are not prepared to engage in participatory monitoring and management activities. As a result, during the public hearings the participants did not propose any recommendations on expenditure tracking. None of the participants of the hearings expressed desire to assist the Project Team in expenditure tracking. Nor was expressed willingness by school boards, parental and pedagogical councils to carry out participatory monitoring on their own or in cooperation with Project Team.

However, it should be mentioned that the attendance on public hearings was rather high (usually 25 – 50 people, with maximum 110 people at the one of the hearings in Gyumri School N10). They were actively discussing the results of expenditure tracking and, in general, the situation in their schools. They were also active in discussing possible solutions of the problems of the schools, in particular, those connected with the role of school boards in the school management. Most frequently the participants were suggesting that the involvement of the school boards in raising extra-budgetary funds would possibly make them more serious actors in school management decision-making processes. At the same time, it should be mentioned that representatives of the Marzpetaran in the school boards did not attend these hearings, except one in Gyumri, where the Marzpetaran is located. Moreover, in some schools even the other members of the school boards, representing the school parental and pedagogical councils, did not know their colleagues from regional government, as they never visited those schools.

Table 1. Estimated and Actual Budgets of the Djradzor Village School for Fiscal Year 2003 (in 1,000 AMD)

	January – June 2003		July – December 2003		Fiscal Year 2003	
	Estimate	Actual	Estimate	Actual	Estimate	Actual
Total	3,511.0	3,729.0	3,510.5	3,194.8	7,021.5	6,923.8
Salaries	2,393.6	2,608.2	2,752.0	2,537.4	4,787.2	5,145.6
Payments to Social Insurance Fund	767.9	776.8	821.3	812.4	1,535.8	1,589.2
Stationery	1	0	1.1	2.1	2.1	2.1
Travels	4.9	0	4.0	8.9	8.9	8.9
Heating oil*	307.2	298.2	307.3	0	614.5	298.2
Electricity	20.7	45.8	20.7	158.2	41.4	204.0
Water and Sewage	7.6	0	7.7	15.3	15.3	15.3
Other Expenses	8.1	0	8.2	-339.5	16.3	-339.5

* In September 2003 the school moved to a new building, where the heating is on electricity.

Table 2. Estimated and Actual Budgets of the Haykadzor Village School for Fiscal Year 2003 (in 1,000 AMD)

	January – June 2003		July – December 2003		Fiscal Year 2003	
	Estimate	Actual	Estimate	Actual	Estimate	Actual
Total	3,602.6	3,570.3	3,603.1	3,324.1	7,205.7	6,894.4
Salaries	2,450.0	2,608.2	2,450.0	2,397.9	4,900.0	5,006.1
Payments to Social Insurance Fund	784.7	788.1	784.8	747.9	1,569.5	1,536.0
Stationery	1.7	0	1.7	3.4	3.4	3.4
Travels	4.4	3.4	4.5	5.5	8.9	8.9
Heating oil*	307.2	191.0	307.3	82.5	614.5	273.5
Electricity	33.6	51	33.6	16.2	67.2	67.2
Water and Sewage	12.4	0	12.4	24.8	24.8	24.8
Other Expenses	8.6	-71.4	8.8	45.9	17.4	-25.5

* In September 2003 the school moved to a new building, where the heating is on electricity.

**Table 3. Estimated and Actual Budgets of the School N10 of the City of Gyumri for
Fiscal Year 2003 (in 1,000 AMD)**

	January – June 2003		July – December 2003		Fiscal Year 2003	
	Estimate	Actual	Estimate	Actual	Estimate	Actual
Total	18,124.4	22383.2	18301.9	17,877.1	36,426.3	40,260.3
Salaries	12,000.0	13,278.3	12,000.0	11,452.5	24,000	24,730.8
Payments to Social Insurance Fund	4,083.8	5,047.8	4,083.9	5,046.5	8,167.7	10,094.3
Stationery	0	0	0	0	0	0
Travels	0	0	0	0	0	0
Heating oil	0	0	0	0	0	0
Electricity	1,902.8	3,961.1	1,902.8	677.9	3,805.6	4,639.0 (the difference was paid from extra-budgetary account)
Water and Sewage	73.1	14.9	73.2	160.5	146.3	175.4 (the difference was paid from extra-budgetary account)
Other Expenses	64.7	81.1	242.0	539.7	306.7	620.8

**Table 4. Estimated and Actual Budgets of the School N4 of the Town of Artik for
Fiscal Year 2003 (in 1,000 AMD)**

	January – June 2003		July – December 2003		Fiscal Year 2003	
	Estimate	Actual	Estimate	Actual	Estimate	Actual
Total	9,855.4	10,381.3	9,382.5	8,732.2	19,237.9	19,113.5
Salaries	7,158.5	7,325.9	7,158.5	6,337.1	13,670.9	13,663.0
Payments to Social	2,100.0	2,231.5	2,100.0	2,060.9	4,299.3	4,292.4

*EXPENDITURE TRACKING AND PERFORMANCE MONITORING
IN SCHOOLS OF SHIRAK MARZ OF ARMENIA*

Insurance Fund						
Stationery	33.6	48.0	33.7	3.0	51.0	51.0
Travels	4.4	0	4.5	11.4	8.9	11.4
Heating oil	322.5	515.0	322.5	201.6	716.6	716.6
Electricity	150.0	155.9	150.0	27.6	283.6	183.5
Water and Sewage	25.0	27.9	25.0	12.3	41.5	40.2
Other Expenses	61.4	77.1	104.7	78.3	166.1	155.4

**Table 5. Estimated and Actual Budgets of the Sarnaghbyur Village School for
Fiscal Year 2003 (in 1,000 AMD)**

	January – June 2003		July – December 2003		Fiscal Year 2003	
	Estimate	Actual	Estimate	Actual	Estimate	Actual
Total	11,455.8	8,966.3	11,066.5	9,338.2	22,522.3	18,304.2
Salaries	7,645.5	6,699.4	7,645.5	6,179.8	15,291.0	12,879.2
Payments to Social Insurance Fund	2,428.8	1,926.9	2,428.8	1,493.0	4,857.6	3,419.9
Stationery	9.8	0	9.8	20.0	19.6	20.0
Travels	4.4	0	4.5	8.9	8.9	8.9
Heating oil	196.3	0	196.3	0	392.6	0
Electricity	1,001.7	269.5	68.3	800.5	1,070.0	1070.0
Water and Sewage	72.5	0	72.6	0	145.1	0
Other Expenses	96.8	70.5	640.7	835.7	737.5	906.2

**Table 6. Estimated and Actual Budgets of the Hayrenyats Village School for Fiscal
Year 2003 (in 1,000 AMD)**

	January – June 2003		July – December 2003		Fiscal Year 2003	
	Estimate	Actual	Estimate	Actual	Estimate	Actual
Total	3,479.3	3,551.0	3,479.3	3177.6	6,958.7	6,728.6
Salaries	2,498.3	2,529.0	2,498.4	2,460.3	4,996.7	4,989.3
Payments to Social Insurance Fund	752.6	757.3	752.6	762.5	1,505.2	1,519.8
Stationery	0	0	0	0	0	0
Travels	0	0	0	0	0	0
Heating oil	194.5	226.6	194.5	0	389.0	226.6
Electricity	22.3	17.2	22.3	5.0	44.6	22.2
Water and Sewage	0	0	0	0	0	0
Other Expenses	11.6	20.9	11.6	-50.2	23.2	-29.3

Table 7. Estimated and Actual Budgets of the Haykavan Village School for Fiscal Year 2003 (in 1,000 AMD)

	January – June 2003		July – December 2003		Fiscal Year 2003	
	Estimate	Actual	Estimate	Actual	Estimate	Actual
Total	5,466.4	5,262.0	5,159.9	4,673.5	10,626.3	9,935.5
Salaries	3,809.4	3,793.0	3,809.4	3,541.9	7,618.8	7,334.9
Payments to Social Insurance Fund	1,063.6	1,050.8	956.6	967.2	2,020.2	2,018.0
Stationery	28.8	50.0	28.9	7.7	57.7	57.7
Travels	4.4	0	4.5	8.9	8.9	8.9
Heating oil	324.7	349.6	324.7	0.1	649.4	349.7
Electricity	77.0	5.2	77.0	128.1	154.0	132.3
Water and Sewage	28.3	0	28.4	56.7	56.7	56.7
Other Expenses	130.2	13.4	69.6	-36.2	60.6	-22.7

* In September 2003 the school moved to a new building, where the heating is on electricity.

Table 8. Estimated and Actual Budgets of the Metc Mantash Village School for Fiscal Year 2003 (in 1,000 AMD)

	January – June 2003		July – December 2003		Fiscal Year 2003	
	Estimate	Actual	Estimate	Actual	Estimate	Actual
Total	9,984.9	8,732.4	9,808.1	11,053.8	19,793.0	19,786.2
Salaries	6,806.5	5,977.1	6,806.5	6,790.5	13,613.0	12,767.6
Payments to Social Insurance Fund	1,725.0	1,685.6	1,725.0	1,800.5	3,450.0	3,486.1
Stationery	56.9	0	57.0	113.9	113.9	113.9
Travels	14.4	0	14.5	28.9	28.9	28.9
Heating oil	802.6	1,030.0	802.6	575.2	1,605.2	1605.2
Electricity	100.0	0	100.0	49.5	200.0	49.5
Water and Sewage	29.5	15.0	19.5	34.5	49.0	49.5

Other Expenses	450.0	24.7	283.0	1,660.8	733.0	1,685.5
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***MONITORING OF THE PERFORMANCE OF THE SECONDARY
EDUCATION SYSTEM OF SHIRAK MARZ***

Methodology and Implementation

Performance monitoring is the final stage of the PPEM cycle. It measures the performance of a government entity to find out how efficiently the funds have been spent. Two types of performance monitoring are known: *community monitoring* and *citizen report cards*. The former is when information about the performance and outputs of a government agency or state-owned entity, such as school is obtained from the community members – “customers” of the services rendered by that entity. The most well known method of community monitoring is the method of community scorecards. The second one, which is popular in developed countries since 1980s, is based on measuring citizen satisfaction with the services they receive from the government and uses instruments as consumer satisfaction surveys. The surveys are administered nation-wide, province-wide or locally (community level).

The Project applied citizen report card methodology by conducting survey on the performance of secondary education system of the Shirak Marz. The survey questionnaire was aimed to reveal the level of awareness and opinion of the respondents about his/her children’s schools, irregularities in the schools, including corrupt practices, their involvement in the activities of the school and reforms in the secondary education system.

The results of the survey were supplemented with the conclusions made from two expert focus group discussions, held after conducting the survey. The first discussion was held with the experts of the Armenian Ministry of Education and Science, and was attended by 10 experts of the Ministry. The second expert focus group discussion was held with the experts of the Department of Education and Department of Financial-Economic and Social Development of Shirak Marzpetaran and was attended by 4 experts of the Marzpetaran.

The survey sample included 1,000 households (see for more detail *Appendix 3*). 60% of the respondents were from all three towns of the Shirak Marz (50% from Gyumri, 7% from the town of Artik and 3% from the town of Maralik), and 40% from 17 villages of the Marz. The absolute majority of the respondents were housewives – 51.3%, the employees of the state institutions constituted 6.6% of the respondents, and teachers – 6.4%. The gender composition was overwhelmingly on the female’s side: 81.2% against 18.8% of males. This

reflects the well-known fact that women are much more aware of what is going on in the schools, than men are. The majority of the respondents – 62.5% were in the age group between 31 to 44, 21.8% were in the age group between 45 to 60, 12.2% - in the age group under 30 and 3.5% - in the age group above 60 years old. Finally, 41.5% of the respondents had secondary education, 32.4% - vocational education and 26.1% - higher education.

Results of the Survey

General Awareness about the School of the Respondent's Child(ren)

Respondents rather frequently visit their children's schools. About 87% of all respondents visit their children's school at least once a quarter (see *Figure 1*) and only 3.5% never visit.

The overwhelming majority of the respondents also knew their children's class teacher (form master) – more than 98% (see *Figure 2*) and principal - 99% (see *Figure 3*).

Attitude towards the School Performance

Only 5.9% of the respondents were absolutely dissatisfied from their children's teachers, and 0.9% found difficult to answer. At the same time 60.9% of the respondents was absolutely satisfied and 32.3% – partially satisfied (see *Figure 4*). There was no dominating reason for dissatisfaction. The most frequent reasons were (see *Figure 5*) the absence of motivation among teachers (36.1% of answers) and insufficient qualification (23.8%)⁴.

In the most of the respondents' opinion (66.8%), the heating in their children's schools during last winter was normal (see *Figure 6*). Most frequently the respondents, not satisfied from the heating conditions, pointed to "other" reasons – 35.1%, insufficient funding from the state budget – 28.7% and absence of appropriate heating equipment – 24.4% (see *Figure 7*).

As in the case of the heating, most of the respondents - 66.4% think that the water and sewage system in the schools of their children is normal (see *Figure 8*). Dissatisfied respondents most frequently (47.2%) mentioned the absence or improper conditions (damaged, broken, not functioning) of the water and sewage systems or their components, such as toilets, washstands, etc. (see *Figure 9*).

Almost the same proportion of the respondents (65%) was satisfied of the building conditions of the schools (see *Figure 10*). Improper conditions of school buildings were the most frequently responses of dissatisfied respondents – 41.8% (see *Figure 11*).

⁴ The questions whose answers are presented in the *Figures 5, 7, 9, 11, 15, 17, 18, 21, 24* and *25* allow more than one answer by the respondent.

Among those dissatisfied from the schools' heating, sewage or building conditions, most frequently the respondents stated that there are improper conditions or absence of necessary equipment or components. Much fewer respondents tended to link such improper conditions or absence of normal conditions with insufficient funding of the schools (except, to some extent, in the case of heating) or misappropriation of the funds allocated for those purposes.

Only 33.8% of the respondents mentioned that money has not been collected in the schools from them or their children (see *Figure 12*). Monthly this sum in average did not exceed 500 Armenian drams (around \$1) according to 80.2% of the respondents (see *Figure 13*). 39.2% of the respondents mentioned that their children's schools received monetary support from other than state budget sources (see *Figure 14*), whereas 32.3% mentioned that their children did not receive any funding from such sources. The remaining 28.5% did not know about such support. International and foreign organizations (54.2%), as well as foreign individual sponsors (15.8%) were the main source of the schools' financial support (see *Figure 15*). This percentage could be even higher, as 14% of the respondents did not know the source of the monetary support of their children's school and part of these schools could also get support from abroad. Only 6.2% of the respondents mentioned local donors, which reflects the fact that the culture of sponsorship among Armenian rich is still in embryonic state.

Attitude towards the Irregularities in the Schools

Considering the fact that during public hearings and private conversations of the Project Team members with teachers, principals and parents it was frequently mentioned about the irregularities, including corruption, inside the schools, it was a little bit surprising that 82.5% of the respondents denied existence of such negative phenomena in the schools (see *Figure 16*). This can be explained partly by the mistrust the respondents could have towards the interviewers and partly by high levels of poverty in the case of rural areas. Most frequently the respondents who mentioned that such phenomena exist pointed to bribes taken by teachers or principals (28.3%). Abuse of power by teachers or principals was on the second place (18.1%) and patronage of certain pupils by teachers or principals was the third type of irregularities with 17.6% (see *Figure 17*). The opinions of the respondents were also very dispersed in assessing the reasons of irregularities (see *Figure 18*). Low salaries of the teachers and lack of oversight from government were mentioned relatively frequently (each 22.7%). 16.2% of the answers pointed to the imperfect legislation.

Opinion on the School Boards

Questions about the school boards were asked only in those towns and villages, where they already exist. The number of respondents who answered to these questions was 7675. Only 40% of them knew that there were school boards in their schools, and 4.5% among those, who knew about the boards, are members of the school boards (see Figure 19). Among those who knew about the existence of school boards in their schools, 43.9% were completely satisfied of its performance, and 17.6% partly satisfied (see Figure 20). At the same time for 27.9% of the respondents this question was difficult to answer. Only 7.5% of the respondents were dissatisfied from the performance of school boards.

Almost 37% of the answers of the respondents on the functions of the school boards were that they oversee the quality and efficiency of the education in the schools (see Figure 21). Actually, this function is more specific to the pedagogical councils, rather than school boards and it was fixed in the Model Charter of the Pedagogical Councils. The next come “Difficult to answer” (17.9%) and “The existence of the board is formal” (14.1%) answers. Out of 368 answers only 7 (1.9%) and 33 (9%) were “Hires and dismisses the school principal” and “Manages the funds of the schools” answers, respectively. These functions are among the functions, defined in the Model Charter of the School Boards approved by Decision N1392 of the Armenian Government from July 25, 2002. This is an evidence of a low level of awareness about the real functions of the school boards. Even among the respondents, who were members of the school boards (14 respondents), there were such who did not know about the functions of the school boards, defined by the Model Charter.

Opinion about the Optimization Process

In general, the respondents were aware of rationalization (optimization) process (see Appendix 2). Figure 22 shows that 91.8% of the respondents knew about optimization. Moreover, 58% of the respondents said that optimization took place in the schools of their children (see Figure 23). The opinions of the respondents on the effects of optimization on the schools were rather dispersed. Relatively high frequencies have (see Figure 24) “Increase of the teachers’ salaries” (about 21% of the answers), “Collapse of the existing secondary education system” (15.3%) and “Increase of the quality and efficiency of the education” (13.8%) answers. However, even the answer “The decrease of funds allocated by state to the

⁵ According to the Decision N444 of the Armenian Government from April 23, 2002 the establishment of the school boards in the Armenian secondary schools is a 3-stage process starting from 2002 and completing by December 31, 2004 (see *Appendix 2*). At each stage certain number of schools transfer to the governance through school boards. At the period of the conduct of the survey the second stage of this process was completed. The third, final stage is planned to implement during September-December 2004.

schools” received significant support – 8.6%. The answer “Other” was mentioned in almost 16% of the answers. Finally, when asked to evaluate the results of the optimization, most support received the answers (see Figure 25) “It did not bring to any changes” (20.8%), “The teachers of pension age were laid off” (20.1%) and “Quality and efficiency of education further deteriorated” (16.8%). Only 5.4% of the responses supported “The quality and efficiency of the education improved” and 11.5% - “Salaries of teachers increased” responses, which were the official goals of the optimization.

Comparison between the Results of Urban and Rural Communities

The differences in the answers of urban and rural respondents were also analyzed. Regarding the general awareness of the respondents on their children’s schools, there are no qualitative differences between rural and urban respondents. Urban respondents were visiting their children’s school little bit more frequently, than their rural counterparts (89% against 83.5%). At the same time almost 100% of rural respondents know the names of their children’s class teachers and school principals, whereas in the urban areas these numbers were 97.5% and 98.4%, respectively.

There was no significant difference between the rural and urban respondents regarding the satisfaction from the teachers’ performance: 93.5% of the rural and 93.2% of the urban respondents were completely or partially satisfied from the teachers’ performance. However, there were some differences in prioritizing the reasons for partial or complete dissatisfaction between rural and urban respondents. Absence of motivation among teachers received the most support in both groups (35.6% among rural and 37.8% among urban respondents). At the same time the second reason for urban respondents was the absence of impartiality among teachers (22.9%), whereas rural respondents mentioned as the second reason the absence of relevant professional quality among teachers (almost 33%). This finding confirms the general situation in Armenia, where there is a shortage of qualified teachers in rural schools. Only 14.5% of the answers of urban respondents, completely or partially dissatisfied from their children’s teachers pointed to the lack of relevant quality of teachers, and 10.3% of rural respondents mentioned absence of impartiality.

Though the majority of both urban and rural respondents were satisfied from the heating and sewage of their children’s school, the percentage of satisfied among rural respondents was much lower, than that of urban respondents. Among urban respondents 74% were satisfied from heating last winter and 74.3% - from water and sewage systems. The respective numbers for rural respondents were 56% and 54.5%. The prioritization of the reasons for not

satisfactory heating was the same for both groups of respondents – 33.9% and almost 24% of the answers of dissatisfied urban and rural respondents, respectively, mentioned insufficient funding from the state budget. The second reason for both groups was the absence of relevant heating equipment – 31.1% among urban and 18.4% among rural respondents. The same is true for the reasons of dissatisfaction from the water and sewage systems. Improper or damaged state of water and sewage conditions received most of the answers by both groups – 42.8% among urban and 50.3% among rural respondents. Far less frequency had the second reason, insufficient financing - 12.3% and 13.6%, respectively.

There was substantial difference in the evaluation of the building conditions of the schools among rural and urban respondents. Against 81% of completely satisfied urban respondents there were only 41% completely satisfied rural respondents, and against 11.5% of completely dissatisfied urban respondents there were 35.3% of completely dissatisfied rural respondents. Like in the case of water and sewage systems, here also both groups made the same prioritization of the reasons of dissatisfaction. 41.2% and 42% of the answers of urban and rural respondents, respectively, pointed to the improper building conditions.

The majority of both urban and rural respondents mentioned the existence of the practice of money collection from pupils and their parents. However, it is more widespread in the cities (72.5%), than villages (54.3%). Though the overwhelming majority of both groups of the respondents mentioned amounts up to 500 Drams monthly (76.5% urban and 89.3% rural respondents), rural respondents most frequently mentioned amounts up to 100 Drams (64.2%), whereas urban respondents most frequently mentioned the amounts from 101 to 500 Drams (51.2%).

Rural schools were receiving financial support more frequently from other than state budget sources, than urban schools (48.8% against 32.8%). Against 38% of urban schools, that did not receive such support only 23.8% of rural schools did not receive it. For both cases the prevailing source are international and foreign organizations working in Armenia (43% of urban and 65.2% of rural schools). Together with the support from individual foreigners the share of the support to schools coming from abroad reaches to 68% in urban areas and 72.1% in rural areas. At the same time, local sources constituted only 11% of such support in urban and 7.4% in rural areas. The remaining part did not know anything about the origin of the sources.

There was no substantial difference between rural and urban respondents in their attitude towards the irregularities in the schools. Only 15.3% of urban and 9% of rural respondents pointed to them in their schools. Among both urban and rural respondents, who pointed to such irregularities, the largest number received the answer “Taking money, items or gifts for grades” – 34.6% among urban and 43.4% among rural respondents. At the same time, rural respondents put on the second place the answer “Obligatory money collection from pupils and their parents” (15.7%), whereas for urban respondents “Abuse of power by principals or teachers” was the second – 18.8%, and “Protectionism by teachers and principals” – third with 18%. These manifestations were less concerning for the urban respondents (10.8% each). Though all these numbers were small, they could indicate to serious problems in the schools, considering the fact that, as the interviewers noticed, the respondents were avoiding giving sincere answers. Most frequently rural respondents mentioned as the main reason of irregularities the lack of oversight by regional government bodies – 31.5%. The second reason was the low salaries of teachers – 20.4% and the third – lack of funding with 14.8%. Low salaries were on the first place among the answers of urban respondents – 23.6%. The second was imperfect legislation – 20.8%, and the third – lack of oversight from the regional government bodies with 19.4%.

The awareness of the respondents about the school boards was almost at the same level for both groups of respondents – 40.4% among urban and 38.9% among rural respondents. The satisfaction from their performance was also much the same – among those who were aware about the existence of school boards 69.6% of the urban and 61.3% of rural respondents were completely or partially satisfied of their performance. Those, who found difficult to answer, were 29.6% among urban respondents and 26.6% - among their rural counterparts. The three most frequent answers to the question about the functions of the school boards were the same for both groups of respondents. The answer “Oversee the quality and efficiency of the education” (35.7% among urban and 41.9% among rural respondents) was on the first place. Next came “Difficult to answer” – 18.9% among urban and 15.1% among rural respondents, and “The existence of the boards is formal” – 13.8% and 15.1% respectively.

Respondents of both groups were rather well aware about the optimization process (93.3% of urban and 89.5% of rural respondents). This process, as it was expected, took place at a greater scale in the urban, rather than rural schools. As a result, 66.3% of the urban and only 45.5% of the rural respondents mentioned that urbanization took place in the schools of their children. Serious differences between the responses of urban and rural respondents were revealed in evaluating the effects of optimization on the secondary education system of

Armenia. Most frequently urban respondents gave “It will bring to collapse of the existing secondary education system.” answer – 20.4%, whereas among rural respondents it received only 7.6% support. At the same time, rural respondents placed the increase of the teachers’ salaries on the first place – 25.4%. This answer was at the second place for urban respondents – 18.1%. “Increase of quality and efficiency of education” response (official goal of optimization process) was second among rural respondents – 20%. Interestingly, this response received the least support among urban respondents – 9.7%. The third place among urban respondents received “Difficult to answer” response – 16.6%. Among rural respondents “Dismissal of undesirable teachers” response received the third place – 9.1%.

Results of Focus Group Discussions

The purpose of focus group discussions was to get a more complete picture on the performance of the secondary education system of the Shirak Marz by supplementing the results of the general population survey in the Marz with the opinions of the experts of the secondary education system. The first focus group discussion was held with the experts of the Ministry of Education and Science, which is the policy-making body of the education system. The Department of Education and Department of Financial-Economic and Social Development of Shirak Marzpetaran, whose experts took part in the second focus group discussion, is a policy implementing body.

The comparison of the results of these two focus group discussions could be interesting in understanding the problems in the implementation of the secondary education system reforms in Armenia. These discussions were also interesting in understanding the similarities and differences in the perception of the secondary education system problems by lay people and experts. This could be useful, as the level of similarity in the perception of the problems of the system by the mentioned groups defines the level of responsiveness of the designed and implemented policies to the needs of these policies’ stakeholders. In other words, if ordinary stakeholders and experts point to the same problems in the secondary education system, then the chances are high that the solutions to these problems suggested by experts will be acceptable for the stakeholders. Of course, this does not mean that the government will be willing or able to accept these solutions.

In the context of above-mentioned, it should be noted that the opinions of the experts on the secondary education system reforms and their implementation were rather close to those of ordinary citizens of the Shirak Marz. First, both the experts and participants of public hearings in the selected schools welcomed the policy of direct funding of the schools from

state budget without intermediate chains. Another point of consensus was the acceptance of the fact that the school boards in general are still dysfunctional. There was also consensus in that the schools are getting insufficient financing from state budget and it should be better to define realistic standards for financing different items of school budgets. This is particularly important for those small schools, which are funded on the per-pupil basis. Finally, both the experts and ordinary citizens from the survey agreed that optimization of the secondary education system still did not give the expected results.

Focus group discussions were useful also in understanding the causes of the problems from the viewpoint of experts. In particular, they pointed that the teachers and parents still think that school management should be very centralized and hierarchical with the principal on the top. As a result, the school board can exist either as an appendix to the principal or a body, which exists only formally on paper to report to the supervising government bodies that the reforms have been implemented. The experts also mentioned that formal existence of the school boards negatively contributed to the implementation of the optimization process. Would they be more functional, many decisions concerning the layouts of teachers would be more fair, as in many cases reported by media, those teachers were laid off, who were undesirable for their schools' principals. Another opinion was that the Model Charter of the School Boards needed to be radically revised, as it proved to be not working.

Figure 1. How often do you visit the school?

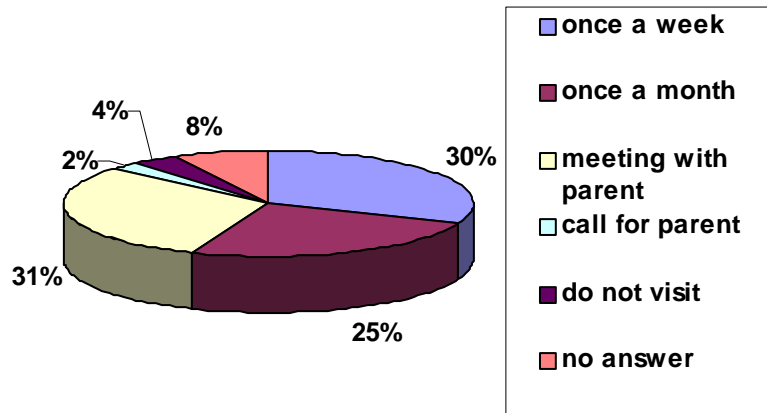


Figure 2. Do you know the form-master of your children?

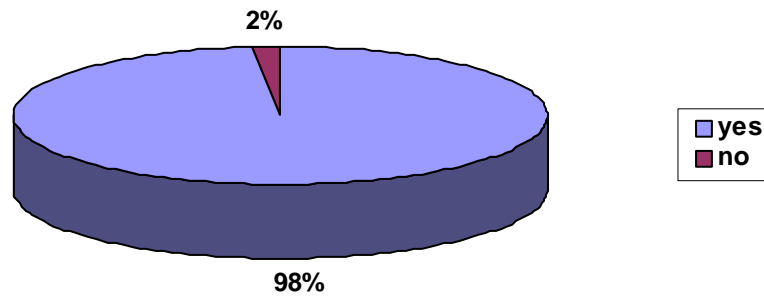


Figure 3. Do you know the principal of your children's school?

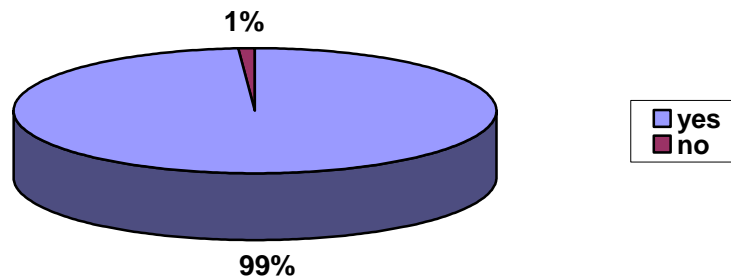


Figure 4. Are you satisfied with the work of your children's teachers?

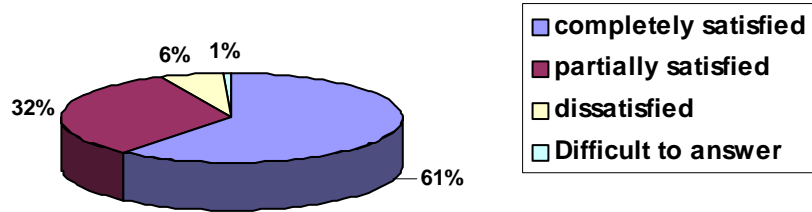


Figure 5. If dissatisfied or partially dissatisfied - Why?

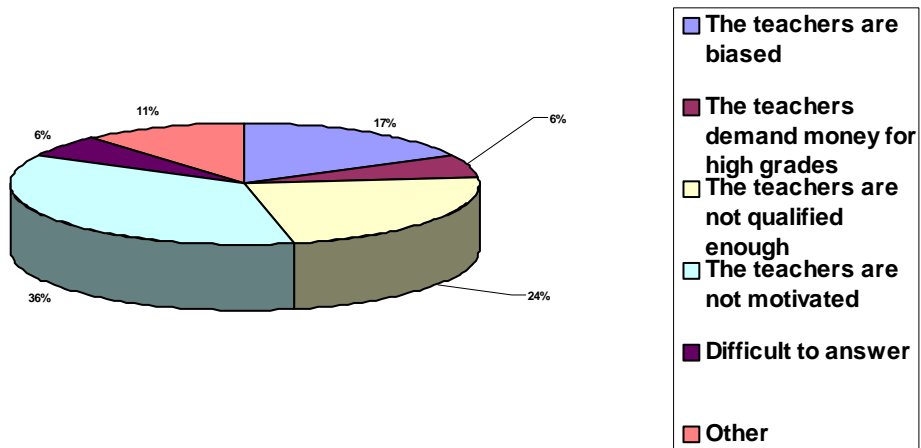
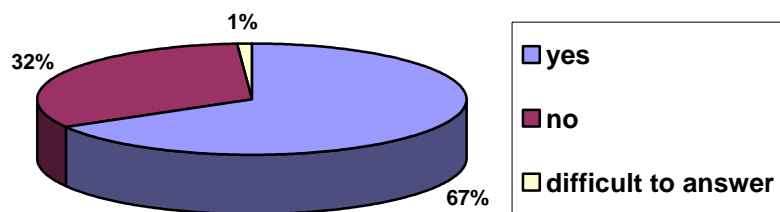


Figure 6. Had the school normal heating condition last winter?



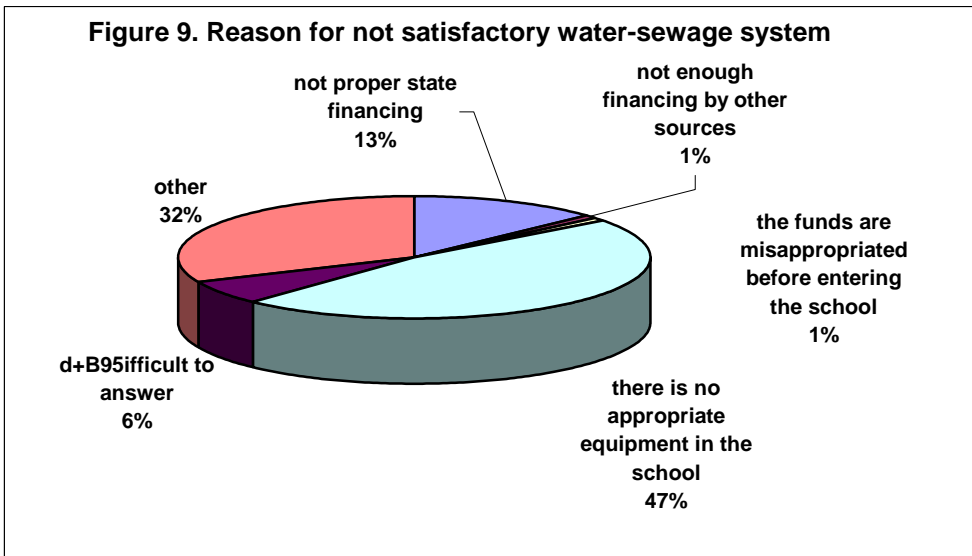
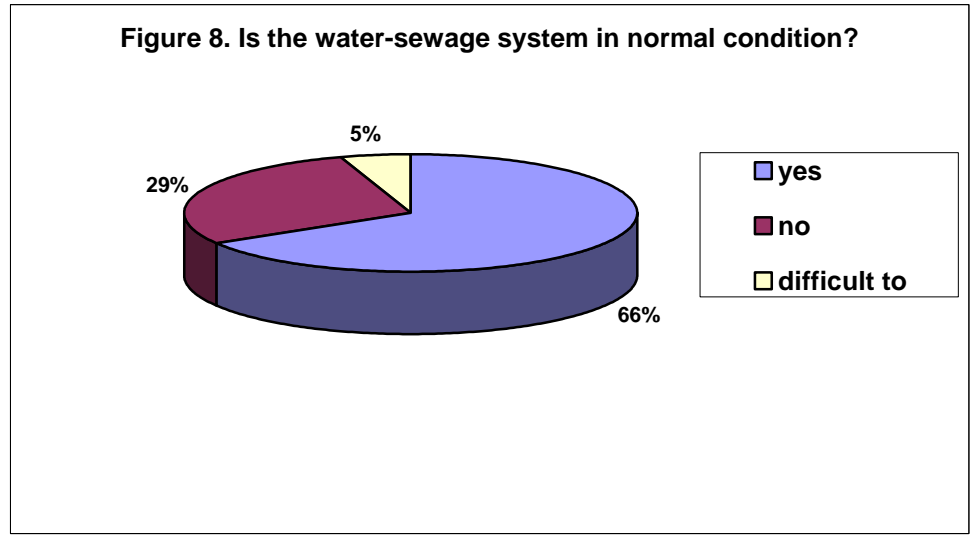
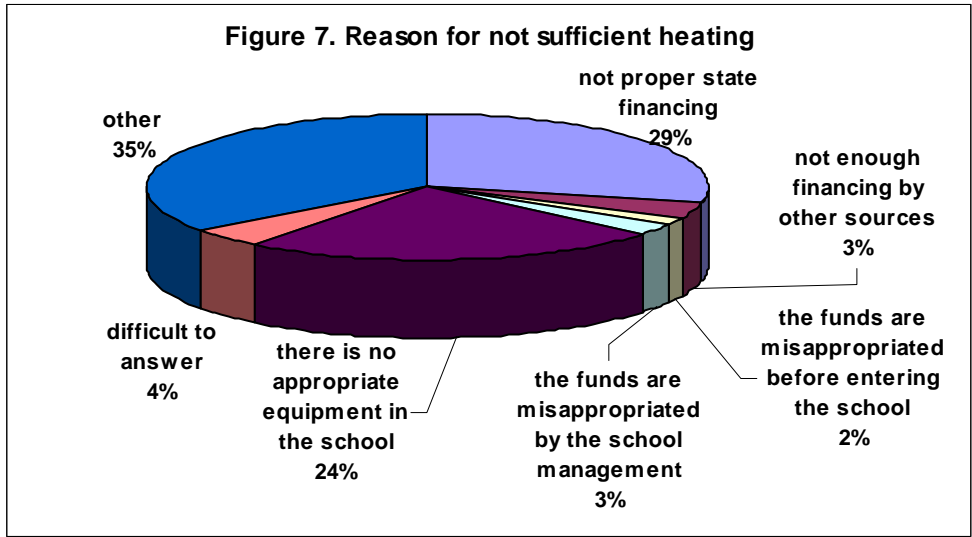


Figure 10. Has the school adequate building conditions?

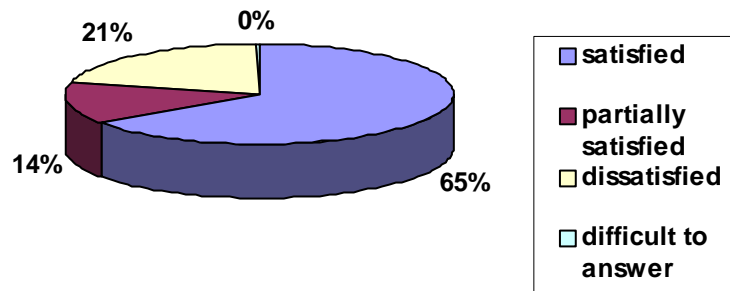


Figure 11. Reason for not adequate school building

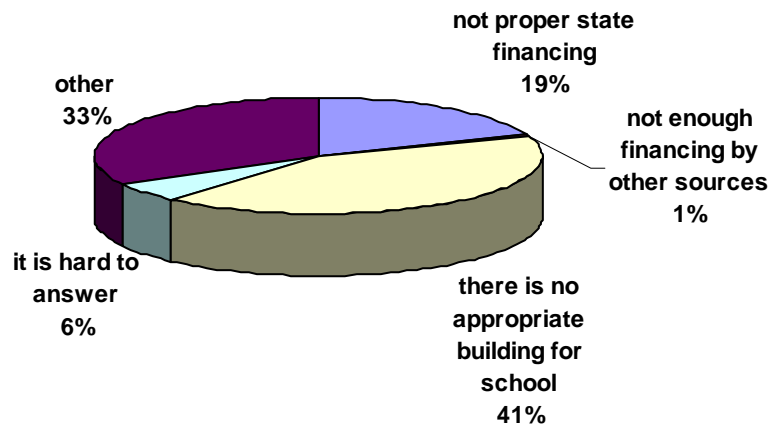


Figure 12. Is there money collection in your children's school?

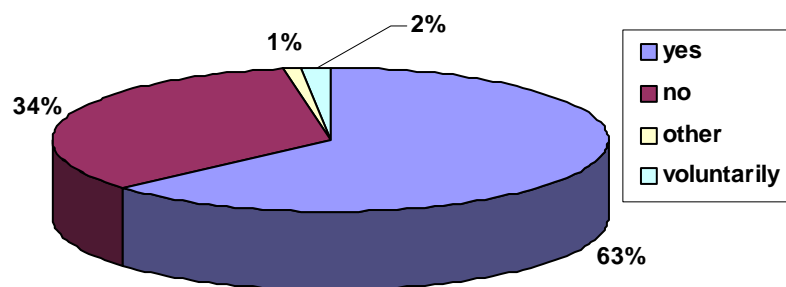


Figure 13. Sum of the collected money

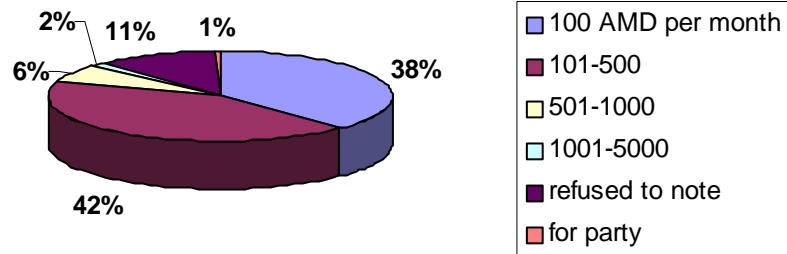


Figure 14. Has the school any monetary support?

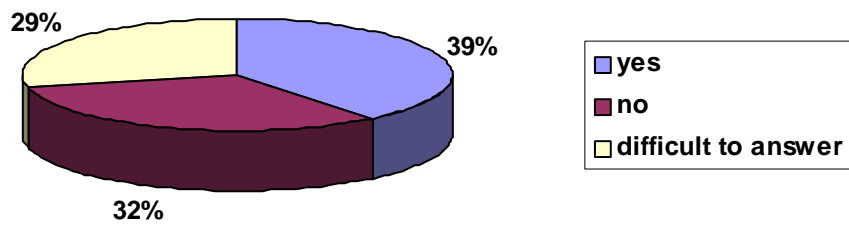


Figure 15. If yes – from where?

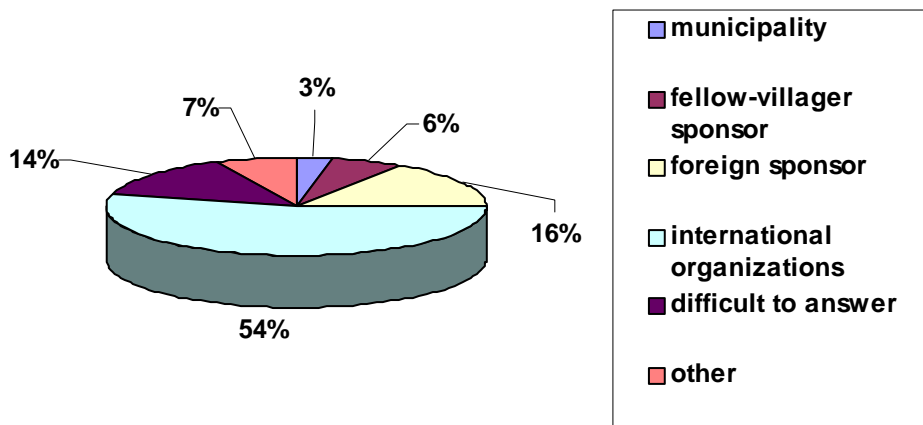


Figure 16. Is there any corruption cases in the school?

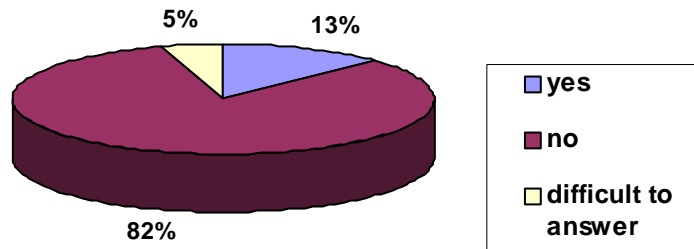


Figure 17. If yes- what kind of corruption cases

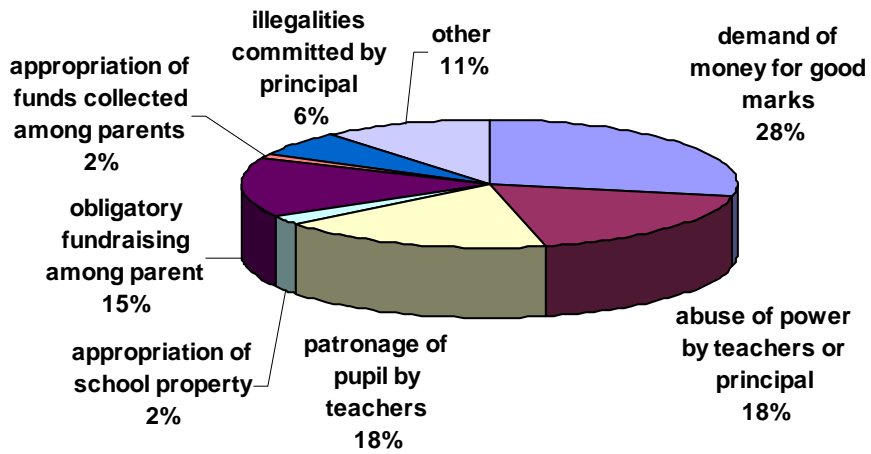


Figure 18. Reason for corruption cases

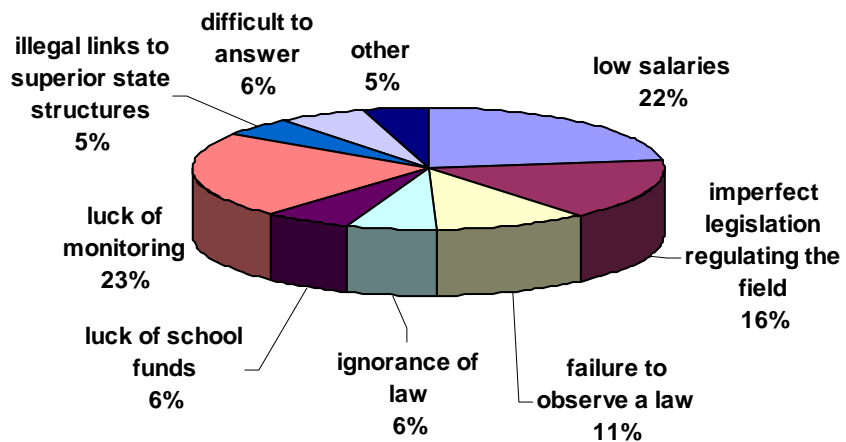


Figure 19. Is there a school-board in your school?

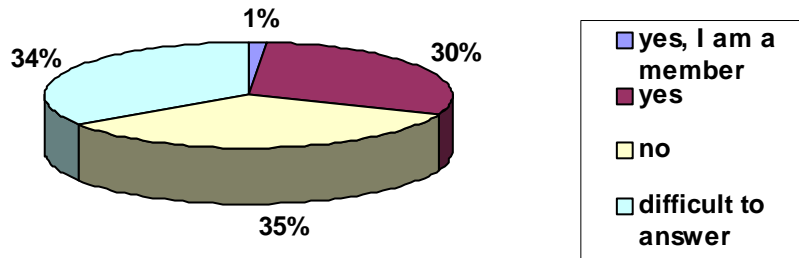


Figure 20. Are you satisfied with its work?

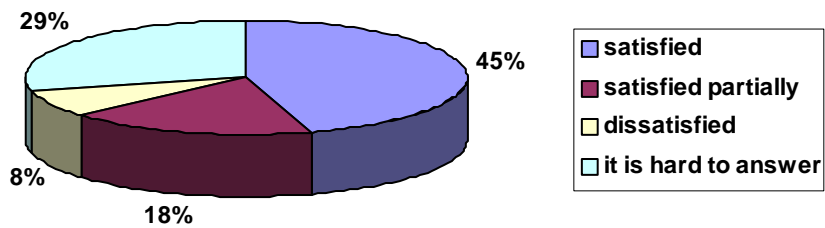


Figure 21. Functions of school boards

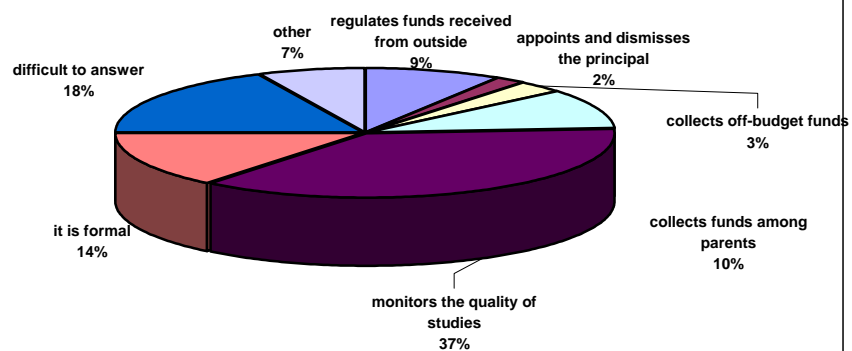


Figure 22. Are you aware of optimization process?

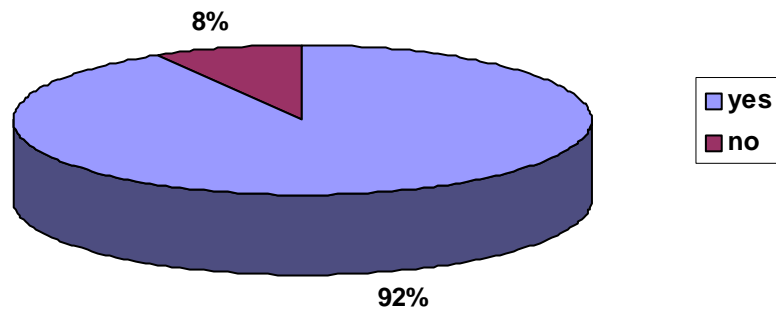


Figure 23. Have your school been optimized?

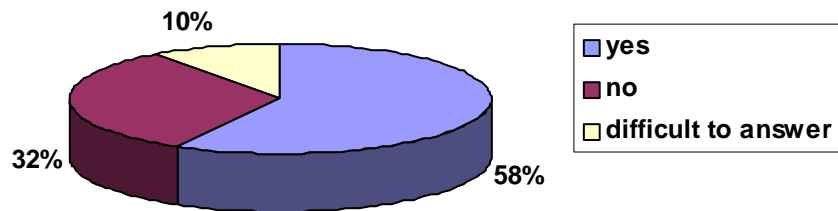
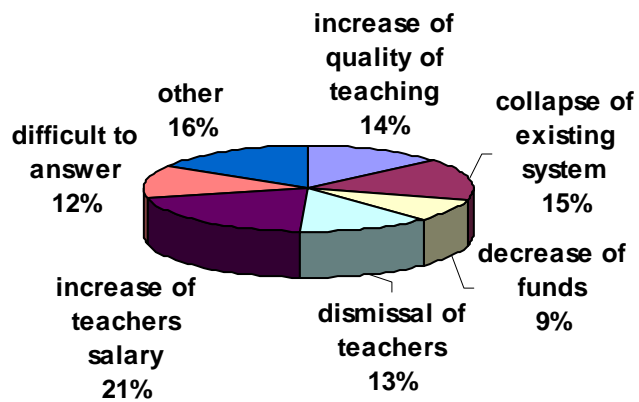
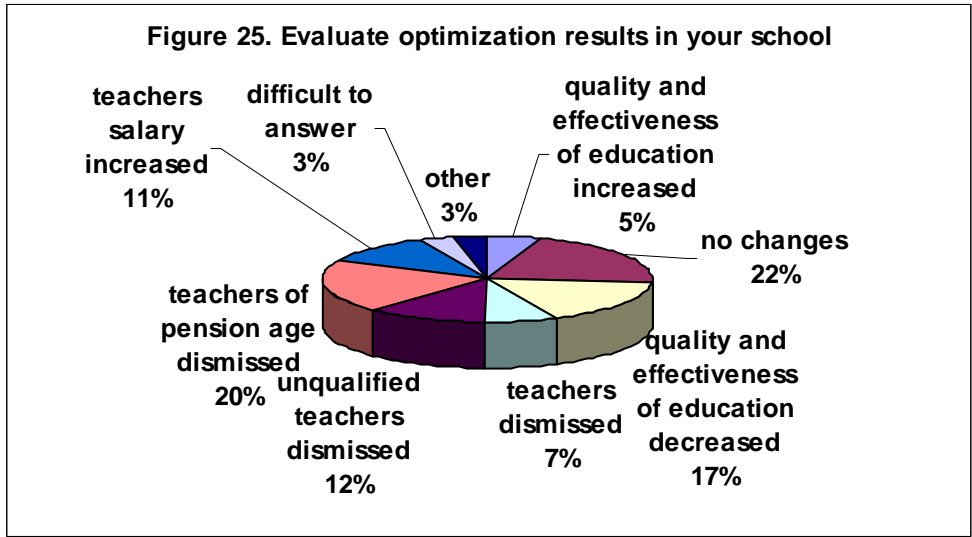


Figure 24. What kind of effects can have optimization in the future?





CONCLUSIONS AND RECOMMENDATIONS

The major conclusions derived from the implementation of the Project are the following:

- The budgets of the schools (both estimated and actual) were accessible and transparent for, at least, part of civil society organizations. However, further studies are needed to find out if the governments demonstrate the same level of accessibility and transparency for any civil society organization or ordinary citizen.
- During the 2003 fiscal year all funds allocated to the selected schools reached these schools in full volume and in a timely manner. Information collected from other sources, such as the Ministry of Education and Science, Department of Education of Shirak Marzpetaran, teachers, principals, members of community, etc., allows extending this conclusion for all Armenian schools. One reason is that the funds allocated to schools from the state budget directly are wire-transferred from the Central Bank to the bank accounts of the schools through the Treasury system. There are no intermediary chains between the Central Bank and school account, and this offsets possible corrupt practices and deficiencies characteristic for the systems with intermediate chains. Theoretically, any instances of malfunctioning of such system can occur as a consequence of macro-level problems affecting the state budget. In such cases the funds can be delayed or transferred not in a full volume. Also it should be mentioned that the fiscal year 2003 was one of the most successful fiscal years since Armenia became independent in 1991 and such problems did not occur.
- The overwhelming majority of the school boards in Shirak Marz is still dysfunctional and does not play any substantial role in the school management. In general, the reasons have both legal and institutional character. The Model Charter for the school boards approved by the Decision #1392 of the Armenian Government from July 25, 2002, appeared to have serious shortcomings. Though, formally, it gives substantial powers to the boards in the school management, it does not clarify the mechanisms to secure the exercise of these powers. More serious problems are connected with the failure to institutionalize the school boards in the Armenian secondary education system. The teachers and parents do not feel themselves as the owners and decision-makers in the school. They still view the principal and regional (Marz) governments as entities solely responsible for the school, as it was in Soviet times. People live in everyday struggle for their survival and are disillusioned to get any help from anywhere hardly are willing to devote time and energy

to their children's schools. They do not believe that they can improve something even in their lives, not mentioned the conditions of schools.

- Private conversations with parents, teachers, other members of communities, as well as the results of performance monitoring reveal that malpractices and deficiencies, including corrupt practices, inside the schools, are rather widespread. However, the methodology applied in this Project does not allow investigating this issue.
- The transparency of the flux and use of extra-budgetary funds remains a serious problem. The schools now have the right to raise such funds. However, the school boards do not control their collection and usage. As a rule, these funds are in cash and transfers on the schools' bank accounts are very rare.
- The performance monitoring revealed that, in general, the population of the Shirak Marz, are aware about the activities of their children's schools and are satisfied from their performance. At the same time, only 40% of the population know about the existence of the school boards. Also, only 5% of the population think that recent reforms in the secondary education system of Armenia aimed at optimising pupil/teacher ratio and by that improving the quality of education really reached their goals.

Based on the results of the Project the following recommendations would be suggested to respective authorities:

1. Require Marzpetarans and Yerevan Municipality, which are authorized state bodies for schools, to publish every quarter in the Marz newspapers the amounts allocated to schools from state budgets.
2. Require the schools to post on quarterly basis comprehensive information on their budgets on the school announcement boards.
3. Increase the state funding of schools by revising the standards based on which expenses per pupil and per class are calculated. The current standards are not realistic, as they are based on the preliminary defined size of the budget allocation to schools, rather than scientifically justified estimates.
4. Differentiate the costs on the school maintenance, as different schools have different conditions and are located in different places.
5. Together with altitude coefficients introduce also geographical coefficients for the standards of heating oil or electricity consumption for schools, as the climatic conditions of different settlements located in the same altitude zone, but in different parts of the country, are different. This is especially urgent for the schools located in the pre-mountain zone.
6. The local self-administration bodies should be represented in the school boards.

7. The chairman of the school board should be resident of the settlement, where that school is located.
8. The principal of the school can participate at the board meetings only by the decision of the board.
9. Regulate in the model charter of the school board the issues relating to raising and usage of the extra-budgetary funds.
10. Provide the opportunity for the school board members to use part of the extra-budgetary funds raised by the school as a bonus fund for them.
11. Organize regular training on financial, management and legal issues for the members of school boards.
12. Organize campaigns in mass media aimed at raising public awareness on school boards and other aspects of reforms in the secondary education system of Armenia.
13. Design measures, which will soften negative social consequences of optimization.
14. Carry out more studies to reveal the optimal workload for teachers and optimal class density.

APPENDIX 1: PROCEDURE OF THE SELECTION OF SCHOOLS FOR BUDGET EXPENDITURE TRACKING

Prior to the start of budget tracking the Project Team selected eight schools of the Shirak Marz to track their budgets. The selection was made based on the certain initially developed criteria. The purpose of setting selection criteria was to reveal, if there were differences in level and flow of funding for the schools depending on the location of the communities of the schools. The Project Team was planning to carry out the following comparisons:

1. urban vs. rural school;
2. rural school located in the alpine zone vs. rural school located out of alpine zone;
3. rural school located close to the center of the Marz (province) vs. rural school located far from the center of the Marz;
4. urban school in the center of the Marz vs. urban school from another town of the Marz;
5. school located in the state border zone vs. school located outside the border zone;
6. rural school funded on the per-pupil basis vs. rural school funded on the basis of the numbers of classes (“protected schools”).

It should be mentioned that for comparisons 1 (urban vs. rural) and 6 (per-pupil vs. per-class funding) two pairs were chosen, considering the geographical location of the pairs. In the first case the first pair was a school from the administrative center of the Shirak Marz (city of Gyumri) and a school from a village very close to Gyumri (village of Haykavan). The second pair consisted of a school from another town of the Marz (town of Artik) and a village, remote from Gyumri (village of Sarnaghbyur). In the second case, each pair of rural schools consisted of schools of the villages, which are rather closely located to each other (villages of Haykavan and Djradzor, and villages of Hayrenyats and Sarnaghbyur). The final sample included School N10 of the city of Gyumri, School N4 of the town of Artik, and six schools of the villages of Haykavan, Haykadzor, Djradzor, Hayrenyats, Sarnaghbyur and Metc Mantash (see Table 9).

Table 9. Characteristics of the Selected Schools

	<i>Urban (U) vs. Rural (R)</i>	<i>Alpine rural (A) vs. Non alpine rural (NA)</i>	<i>Remote rural (RR) vs. Close rural (CR)</i>	<i>Urban, center of Marz (UM) vs. Urban other (UO)</i>	<i>Rural border (RB) vs. Rural non-border (RNB)</i>	<i>Rural per pupil (RP) vs. Rural protected (RPR)</i>
School N10 of Gyumri	U			UM		
School N4 of Artik	U			UO		
School of Haykavan	R	NA	CR		RNB	RP
School of Haykadzor	R	NA	RR		RB	RPR
School of Djradzor	R	NA	RR		RNB	RPR
School of Hayrenyats	R	NA	RR		RNB	RPR
School of Metc Mantash	R	A	RR		RNB	RP
School of Sarnaghbyur	R	NA	RR		RNB	RP

APPENDIX 2

Current Legal-Administrative Status of the State General Secondary Educational System of Armenia

The current legal-administrative status of the state general secondary educational system of Armenia is the result of the ongoing reforms of the system aimed at the decentralization of the schools' management and their transfer to the new forms of financing started since 1997.

The Armenian Government Decision N263 from July 11, 1997 initiated the start of the decentralisation of the school governance. That Decision made changes in the model charter of the state general secondary educational establishment making the school board the ultimate decision-making body of the school management.

The next step was the Decision N661 of the Armenian Government from October 28, 1998 titled "On the Further Decentralisation of the Governance of the System of State Secondary General Educational Establishments". According to that Decision an experimental program was implemented by which 57 schools from all 10 Marzes of Armenia were transferred from the Marzpetaran jurisdiction to the community jurisdiction. The status of remaining schools did not change. Following that Decision, the Minister of Education and Science issued three decrees on March 22, 1999 (Decrees N91-M, N92-M and N93-M) by which the procedures of the election of the members of the school boards and principals were established and the model charter for the school boards was approved. In order to facilitate the establishment of the new system of the school governance, training courses for the principals, accountants and members of the school boards of the mentioned 57 schools were conducted.

With the Decision N377 of the Armenian Government from June 1, 1999 titled "On the Approval of the Experimental Program of the Reforms of the State Secondary Educational System of the Republic of Armenia", Armenia initiated comprehensive reforms of the general secondary education system of the country. The major strategic directions of the reform are the structural, financial-economic and organizational changes of the general secondary education system. The concept of the reform incorporates the decentralization of the school governance, introduction of self-governance mechanisms in the schools and establishment of the new forms of the school funding on the per-pupil basis. In order to smooth up the reform process, the Government decided to initiate by its mentioned above Decision an experimental program, by which the measures aimed at reforming the general secondary education system were first implemented in about 10% or 154 Armenian schools. Those were all 57 schools

that have been already transferred under the jurisdiction of communities and 97 schools under Marz jurisdiction (in Yerevan it is the jurisdiction of the City, which is equivalent to Marz) of two communities of Yerevan (Kentron and Erebuni) and Kotayk and Vayots Dzor Marzes. The goal of this experimental program was to assess the possible problems that could occur during the implementation of the reform and possible solutions to them, as well as the mechanisms of the reform implementation. The Program was implemented in 1999-2000.

Among these 154 schools there was a limited number of schools with less than 100 pupils, which are located at a strategically important locations. Their funding was based not on the number of pupils, but rather the number of classes. Later Armenian Government adopted a decision (see Decision N773 from August 25, 2001) by which it defined the criteria for schools funded independent from the number of schools (the so-called “protected” schools). The same Decision provided the list of such schools. In order to get a status of “protected” school, the school should be the only school in that settlement, have less than 100 pupils and be located either at the state border or at least 5 km far from the nearest settlement.

Based on the analysis of the results of the implementation of the experimental program, as well as other measures on June 26, 2001 the National Assembly (Parliament) of Armenia passed a law “On the State Program on the Development of the Education System of the Republic of Armenia for 2001-2005”. The Law legalized the structural, financial-economical and organizational reforms of the general secondary education system of Armenia. A number of governmental decisions, as well as decrees of the Minister of Education and Science was adopted for the implementation of the provisions of the Law.

On December 24, 2001 Armenian Government adopted Decision N1236 by which the process of internal and external optimization of the mentioned above 154 schools was initiated. Optimization is viewed as an integral part of the education system reform and is aimed at achieving optimal workload for the teachers and increasing their wages. That will be done through increasing pupil/teacher ratio up to the levels of OECD countries.

On April 23, 2002 Armenian Government adopted Decision N444 by which all general secondary schools of Armenia (except those who were already transferred through the implementation of the experimental program) will transfer to the new forms of governance and funding by December 31, 2004. By the same Decision, a timetable was set for that transfer. All schools were divided into three groups. The first group should transfer to the new

forms by December 31, 2002, the second group – by December 31, 2003, and the last, third group – by December 31, 2004.

In order to adjust the organizational form of the school to the requirements of the new forms of governance and funding, Armenian Government passed a decision (see Decision N1392 from July 25, 2002) by which the schools became state-owned non-commercial organizations (formerly they were state institutions). The new status permitted the schools to carry out entrepreneurial activities to raise extra-budgetary funds for the school needs.

Parallel to the transfer to the new forms of governance and funding, the Government started the implementation of the other component of school reforms – the optimization and rationalization of the general secondary education system. By its Decision N2047-N from December 5, 2002, the Government extended the rationalization and optimization process to the whole system of general secondary schools. According to that Decision the external optimization should be implemented through the dissolution of some small and not viable schools. Later this approach was revised and by the Decision N867-N from July 10, 2003 the external optimization would take form of reorganization through merger. By that all schools subject to merger received equal status. As a result of optimization about 5,000 teachers were relieved from their jobs and during 2003 the Government took a number of measures to soften the social effects of optimization.

Implementation of the Reforms of the General Secondary Education Sector in Shirak Marz

The Office of the Province Governor (Marzpetaran) is simply implementing the laws passed by the Armenian Parliament and Decisions of the Government. This means that all mentioned above governmental decisions, as well as the Law “On the State Program on the Development of the Education System of the Republic of Armenia for 2001-2005” should be implemented in the Marz without any modification.

As it has already been mentioned the first step in the general secondary education sector reform in Armenia was Government Decision N661 from October 28, 1998, which transferred 57 schools of Armenia from Marz to community jurisdiction. Among these 57 schools were 7 schools from Shirak Marz. Those were all seven schools of the town of Artik. One of them, School N4 is participating in the Program. These 7 schools were also included

in the list of schools where the experimental program of reforms was implemented in 1999-2000 (see Government Decision N377 from June 1, 1999).

Similar to all other Marzes, Shirak Marz also has “protected” schools, the list of which was approved by the Government Decision N773 from August 25, 2001 and later revised by the Government Decision N1937-N from December 5, 2002. The list includes schools of 52 villages of the Marz. Three such schools (schools of the villages of Haykadzor, Djradzor and Hayrenyats) were included in the Project.

Under the Government Decision N444 from April 23, 2002, 49 schools of Shirak Marz had to transfer to the new forms of governance and funding by December 31, 2002. The remaining schools were planned to transfer during 2003-04. At the start of the Project, the Project Team selected 7 schools from that list. However, later it was revealed that for some reasons, not disclosed to the Project Team, the transfer was delayed for a year and instead of starting on September 2002, it started on September 2003. By the Decree N26 from September 4, 2003 of the Marzpet (Governor) of the Shirak Marz the school boards were established in 46 schools where they should be established by December 31, 2002. The reason why 46 and not 49, as approved by Government Decision N444, was that as a result of the implementation of the Government Decision N2047-N from December 5, 2002 (entered into effect on January 23, 2003) three schools in Gyumri, which were in the initial list of 49 came under external optimization. Later, in the middle of September a number of new schools also were added in the list. Some of them were the schools from the list of schools, which should switch to new forms of governance and funding by December 31, 2003 (most of them will transfer by the first half of 2004). Others (6 schools in Gyumri) were all those schools, which were reorganized through merger as a result of external optimisation (see Government Decision N867-N from July 10, 2003). It should be also mentioned that the new form of school funding (on the per-pupil basis) in those of these 46 schools, which were eligible for this type of funding (are not “protected” schools) already was in effect from January 1, 2003.

The Government Decision N2047-N included 17 schools of Shirak Marz to be involved in the process of external optimisation. Among them 15 were from Gyumri, and 2 – from the town of Artik. These 17 schools formed 7 pairs and one trio. As a result of optimization each pair of schools and the trio had to be reorganized each as one school through the merger of the two schools of the pair or three schools of the trio. Later this list was slightly revised by the July 10, 2003 Decision N867-N, which excluded from that list one pair of schools from Gyumri.

Thus, by September 1, 2003 13 schools of Gyumri were reorganized into 6 schools and 2 schools from Artik – into one school.

APPENDIX 3: METHODOLOGY OF THE SURVEY

General Overview

The survey on Shirak Marz secondary education performance was conducted in the form of personal interviews. The sample represents the adult population of Shirak Marz with age 18 years and above, who had one or more children studying in the schools of the towns or villages, where the survey was conducted. The content of the questionnaire was designed based on the opinions and remarks of the Project Public Education Expert.

The conduct of the survey comprised the following stages:

- collection of statistical data;
- development of the questionnaire based on the analysis of the results of the previous stages of the Project, in particular, budget expenditure tracking;
- training of the interviewers and pre-testing of the questionnaire;
- conducting of the interviews;
- data entry of the survey results into the computer and their technical processing; and
- analysis of the survey results.

According to the interviewers, very few respondents refused to answer to the questions, mainly justifying their refusal by saying that such surveys are not able to change the situation. The major problem in the survey was the openness of the respondents in answering the questions, especially to those ones, which were aimed to reveal possible problems inside the schools (corruption, improper heating, water, sewage, etc.). This problem has been encountered in other surveys as well. During the preceding stages of the Project implementation, it became clear that there were serious problems in the schools. However, the survey results showed that relatively few respondents were pointing to these problems. Thus, it could be concluded that either the respondents were not aware of those problems, or they did not trust the interviewers. Also, it was difficult to distinguish whether the answers given to the questions relating to the reforms in the secondary education system were reflecting the respondents' personal or conventional opinions.

Sample

Based on the statistics on the population of the Shirak Marz received from the National Statistical Service of the Republic of Armenia, the sample of 1,000 households was first

proportionally distributed over urban and rural areas. According to the statistics, almost two third of the population of the Shirak Marz lives in the three cities/towns of the Marz (Gyumri, Artik and Maralik), and the remaining one third – in the villages. However, in order to have more statistics on rural schools' performance, the proportion of rural and urban respondents was changed and 600 respondents were from cities/towns and 400 – from villages.

The next step was distributing the number of respondents over the cities/towns and selected villages of the Marz. Respondents from the cities/towns were representing all three cities/towns of the Marz and allocated proportionally according to the population of these three cities/towns (500 respondents were from Gyumri, 70 - from Artik, and 30 – from Maralik). The equal allocation method was used for the villages in order to have some statistics for each selected village.

17 villages having secondary schools were selected based on the method of stratified-cluster sampling. Considering the geographical configuration of the Shirak Marz, stretching from north to south, 6 villages were selected from the northern and southern parts of the Marz each, and 5 villages were selected from the central part (Akhuryan sub-region). In the northern part 4 villages were selected from Ashotsk sub-region and 2 – from Amasia sub-region⁶. In the southern part 4 villages were selected from Artik sub-region and 2 – from Ani sub-region. To reduce the travel time and costs the villages were clustered into 8 pairs. As some questionnaires filled in the villages were invalidated because of mistakes made by interviewers, one additional village (Mayisyan in Akhuryan sub-region) near Gyumri where the team of interviewers was residing was selected to supplement these invalidated questionnaires. In the case of the invalidated questionnaires filled in the cities/towns, additional interviews were carried out in the same cities/towns. The pairs of the villages were selected randomly from the list of villages of each sub-region, obtained from Shirak Marzpetaran.

Prior to the survey, the Project Team obtained detailed maps of all three cities/towns of the Marz. Each city/town was divided into five parts (number of interviewers) with approximately equal number of houses/buildings. The size of the step in the cities/towns was defined by dividing the number of the buildings/houses on the number of the respondents to

⁶ The current territorial-administrative division of the Republic of Armenia came into effect at the beginning of 1996 based on the Law on Territorial-Administrative Division, NO-18, 07/11/95. The newly established 10 Marzes were formed through the merger of adjacent districts (former administrative-territorial units of Armenia). In particular, Shirak Marz was formed through the merger

be interviewed by the particular interviewer in his/her sector of the city/town. For example, each interviewer had to interview 14 respondents in the town of Artik. Thus, the size of the step was defined by dividing the number of houses/buildings in the interviewer's sector into 14. It should be mentioned that one apartment was equal to one house in defining the step and choosing the locations of interviews.

In Gyumri each interviewer first was choosing a school located in his/her sector and then was taking the street to the right side of that school. After that the right apartment of the first floor of the first entrance of the first apartment building located to the right side of that street was selected for the interview. If the first residential construction was house, rather than building, then the first house on the same side of the same street was chosen. If the household of the chosen apartment refused to be interviewed, then the apartment located one floor above that apartment was chosen. In the case of house, next house was chosen

The same procedure was used in the towns of Artik and Maralik, as well. The difference was only in choosing the reference point. In Gyumri it was school, whereas in Artik it was the central square of the town, from which 5 streets were starting at different directions. Each of the five interviewers chose one of these streets and walked along that street. If some interviews were remaining, then the interviewer was turning to the left to the street and continuing choosing the houses/apartments in the same manner. In Maralik, which is a small town with one main street stretching along the whole town, the procedure of the selection of the households for interviewing was similar to one used for the villages (see the description of that procedure below).

In the villages the size of the step (n) was defined by dividing the number of the houses (the draft map of the selected village was obtained from the Office of the Village Head) into the numbers of respondents to be interviewed. Then every n -th house on each side of the main street of the village was selected for the interview. If the total number of the respondents on the main street was less than the total number of the respondents defined for that village, then the interviewers were turning to the right from the main street and continuing interviewing choosing the n -th house in that new street.

Target persons within the households were those, who volunteered for the interview. Almost in all cases, the volunteers were those, who were most informed about the schools their children were attending. The households' sample is presented in Table 10.

of former Amasia, Ashotsk, Akhuryan, Ani and Artik districts (sub-regions). Until now these sub-

Table 10. Sampling Points of the Survey

	Location	Total Sample	Urban	Rural
N	Shirak Marz	1,000	600	400
1	Akhuryan sub-region			
1.1	Gyumri	500	500	
1.2	Vahramaberd village	23		23
1.3	Marmashen village	23		23
1.4	Djadjur village	25		25
1.5	Krashen village	25		25
1.6	Mayisyan village	7		7
2	Artik sub-region			
2.1	Artik	70	70	
2.2	Pemzashen village	25		25
2.3	Lernakert village	24		24
2.4	Horom village	25		25
2.5	Vardakar village	24		24
3	Ashotsk sub-region			
3.1	Ashotsk village	25		25
3.2	Ghazanchi village	25		25
3.3	Tsoghamarg village	25		25
3.4	Torosgyugh village	25		25
4	Ani sub-region			
4.1	Maralik	30	30	
4.2	Ani village	25		25
4.3	Anipemza village	23		23
5	Amasia sub-region			
5.1	Amasia village	25		25
5.2	Berdashen village	26		26

Fieldwork

10 interviewers were hired for conducting the survey. They were divided into two groups of 5 in each group – one for interviews in Gyumri and the other - for interviews outside Gyumri. All interviewers were trained before the start of the fieldwork. One of the interviewers from each group was assigned as the field coordinator who was responsible for overseeing and coordinating the field activities. The questionnaire was pre-tested in Gyumri and village of regions maintain their specific characteristics.

Horom. Based on the results of the pre-testing, slight technical adjustments were made to the questionnaire.

On average, the interviews took 20 minutes, ranging from 10 to 45 minutes in length. Totally, the fieldwork lasted three weeks.

**APPENDIX 4: COMMENTS MADE BY THE RESPONDENTS OF THE
SURVEY AND PARTICIPANTS OF PUBLIC HEARINGS**

Public Hearings

Village of Jradzor

- ❑ The construction of the new school building has been completed in summer 2003 (the construction was funded and carried out by the Armenian Social Investment Fund with the support of World Bank) with lot of deficiencies and incomplete works. In particular, the road to school is impassable for any type of car. Only the territory surrounding the school is in normal shape.
- ❑ The current legal regulations concerning the school boards have serious deficiencies and do not allow its members to effectively carry out their duties.
- ❑ The government and donor organizations should be more supportive to school in its transition to the new forms of governance and financing. There is an impression that the government considered its duty completed after passing the respective legal acts, and there is no support to schools to implement successfully these reforms. In particular, the state could allocate credits on preferential terms to help the schools to create infrastructure for raising extra-budgetary funds. The school management also needs skills in fund-raising and financial management under new conditions.
- ❑ The village is emptying very quickly because of the lack of attention from the government and private sector. However, there are still people devoted to the village, and they are ready to contribute to the development of the village, if some support will be available.

Village of Metc Mantash

- ❑ The members of the school boards do not have necessary skills for financial management, in particular, fund-raising. The members of the school boards themselves accepted that the 6-day training courses organized by the Ministry of Science and Education in the village of Torosgyugh were absolutely insufficient for preparing them to perform their duties.
- ❑ The authorities from Marzpetaran still try to maintain control over the schools (though they rejected to mention specific mechanisms of such control).

Village of Hayrenyats

- ❑ There is no public transportation connecting this village with other villages or towns of the Marz, and those teachers who live outside the village have to walk rather long distance from the highway to the village. The teachers of this village school have to pay for transportation (in other places their travel is subsidized from the state budget). All attempts of the village community office (gyughapetaran) to organize a route between Hayrenyats and Gyumri were failed because of the resistance of the transportation authorities of the Marz.
- ❑ Marzpetaran authorities severely limit the funding of the school. This school is not per pupil-funded (it is “protected” school), and Marzpetaran authorities have certain discretion power in allocating the budget of such schools.
- ❑ The school possesses with certain potential to carry out economic activities, which will generate additional income for the school. However, the school needs credits for start-up, and they are not available. There is severe lack of information on the accessibility of such credits and loans, and organizations, which can lend financial resources.
- ❑ The major problem with the school boards is that people still do not feel ownership for schools and understand that everything they could do for schools is for them, their children and their generations. Also, the boards could become more functional, if members from the local self-government administration will be involved in the boards.

Village of Haykavan

- ❑ The school has potential to generate additional income, especially through the utilization of the computers it possesses (this is a rare case of a village school where there is a substantial number of computers). However, there is lack of computer specialists, who can make these computers operational.
- ❑ The importance of such projects is that it will help to change the mentality of the community members and make them more affiliated to the school and feel responsible for the school.
- ❑ The major problem remains the change of the mentality of the people. They should be more supportive to school; the culture of benevolence should be developed. People should understand that the property of the school is their property.
- ❑ Members of the board need more serious training, especially on financial issues. A mechanism should be established to make more accessible potential donors to the schools.

Village of Haykadzor

- ❑ Haykadzor has no transportation connection with other villages or towns, and teachers, who are not the residents of the village face serious problems to get to their workplace.
- ❑ The staff, teachers and even the members of the school board of the school were not aware of the opportunities the new status of schools gives to them, especially connected to raising of extra-budgetary means. The school also has no information about possible donor assistance.
- ❑ The major problem in this community is the extreme indifference of the parents to the school problems. Very few parents participated in the public hearings. Their mentality here is still very Soviet-type: the state is the only responsible for the schools, and nobody else should do anything for the schools.
- ❑ The result of the optimization is that an experienced teacher but with non-pedagogical education has been replaced by a very young, non-experienced one with pedagogical education from a city. The latter stayed one year in the village school and then moved back to his/her city in the hope to find any job there. As a result that position remained vacant.

Village of Sarnaghbyur

- ❑ The community is rather well organized and managed, which also has its positive impact on the performance of the school. Another positive moment is that the community is more attentive and helpful to the school.
- ❑ The school financial management is carried out in a very professional manner, and as a result they even have savings (the only case among the schools involved in the Project). This allowed the school management to give bonuses to the best teachers of the school. It actively cooperates with donors and benevolent funds.
- ❑ The problem of overcoming the old mentality is acute in this community as well. The school management is forced to keep a guard and build a fence to prevent the theft of the school property.

Town of Artik (School N4)

- ❑ Despite of the presence of competent individuals in the board (head of the local branch of a bank, owner of an industrial plant and others), the board is not functional. According to the members of the board, the main reason for that is the interference of Marzpetaran officials in the affairs of the school, which limits the possibilities of the school to act independently.
- ❑ Because of low salaries there are almost no male teachers in the school.

- Widespread poverty in the town does not allow collecting money from the parents. Businesspeople also refrain from making donations because of imperfect legal provisions, which discourage donations.
- There is lack of skills and information to develop projects aimed at raising additional funds for the school. The school has sufficient potential for implementing such projects.

City of Gyumri (School N10)

- As this is a French school, it has connections with France, which allows it to get limited amount of donations from there. This money is primarily used to make some repair works and pay for electricity used for heating in winter.
- The school board actually is not functional and its members are not even aware of their rights.

Survey

Why you are not satisfied from the work of your children's teachers?

- The discipline in the school is low.
- The teachers are not strict enough.
- The teachers do not pay enough attention to all pupils.
- The teachers force the pupils to take additional paid lessons from them.
- Teachers are inexperienced and ill prepared.
- The programs are difficult for the children.
- There is discrimination between the children from poor and rich families.
- New teachers are less skillful and knowledgeable, than the old ones.
- The general level of the pupils is very low; hence the teachers are forced to give higher grades even to average level pupils.
- Lack of control over the teachers.
- Lack of qualified teachers.
- Conflicts among teachers.

If you are not satisfied from heating conditions, then why?

- Lack or interruption of supply of heating oil or gas.
- Low quality of heating oil.
- Frequent breakdowns of electricity.
- The newly constructed boiler for the school is not functioning.

If you are not satisfied from water-sewage conditions, then why?

- Interruption of water supply

- Bad quality of the water
- The sewage system is not repaired for years.

Why you are not satisfied from school buildings' conditions?

- Small classrooms and small buildings
- Absence of sports facilities
- New building, but with low quality
- Deteriorated wooden construction
- The school building does not meet the requirements of seismic safety.

Is there money collection from you or your children?

- The money collection is legal in our school.
- The new principal bans money collection.
- The list of pupils who did not give money is submitted to the teachers, and the attitude towards such pupils changed to worse.
- Those who refuse to give money appear under serious moral pressure.

From whom your school receives financial or other type of assistance?

- Armenian Apostolic Church
- Armenian Baptist Church
- Armenian Relief Foundation
- "American Church"
- Democratic-Liberal Party of Armenia (HRAK)
- Armenian Revolutionary Federation Dashnaksutyun (ARFD)
- Winning lottery
- Armenian community of the city of Samara (Russia)
- Shirak Marzpetaran
- Assistance from local businesses
- The Head of the Village gives water to the school

Please mention negative phenomena in your child(ren)' schools.

- In order to receive higher grade the pupils are forced to take additional paid lessons from their teachers.
- Twice the parents collected money for curtains, but still there are no curtains in the classroom.
- Teachers segregate the pupils and are rude to some of them.
- Many teachers lack professionalism.
- Some pupils "tax" others.

- The school principal does not provide any information to the parents.
- The classes were interrupted until the pupils collected the required sum for computers.
- The school guard was laid off without receiving his salary for the last six months.
- One teacher creates problems in the school.

Which are the causes of the mentioned negative phenomena?

- Some teachers dislike certain pupils and are rude to them.
- The “general environment”
- The teachers are morally depressed.
- Bad behavior of pupils
- Our national mentality
- Personal motives

In your opinion what the optimization gives and will give in the future to the Armenian secondary education system?

- Unclear consequences
- The efficiency of the optimization will be different and vary from one school to other.
- Optimization:
 - ◆ is not fair;
 - ◆ is a “natural disaster”;
 - ◆ will eliminate the schools;
 - ◆ is wrong;
 - ◆ is useless;
 - ◆ is not efficient in rural schools;
 - ◆ is not well designed.
- The process was not harmonized and brought to artificial consequences.
- Absence of positive expectations and decline of the quality of education
- Increase of the number of unemployed teachers
- Optimization is a positive process, as:
 - ◆ teachers of pension age were laid off;
 - ◆ teachers living in other cities/towns or villages were laid off;
 - ◆ teachers without higher education were laid off.
- Optimization has both positive (layoff of non-specialists) and negative (more dense classes and layoff of experienced teachers) consequences.
- One teacher survives at the expense of the other.
- The increase of the teachers’ salaries did not improve the quality of education.
- Undesirable will disappear, and positive will remain.

- ❑ Optimization contributed to the increase of corruption.
- ❑ Both negative and positive were eliminated.
- ❑ Optimization facilitated to the promotion of professional teachers and now professionals teach each subject.
- ❑ Teachers laid off in the urban schools replace teachers of rural schools, who have not pedagogical education.
- ❑ The merger of schools will make more difficult getting to schools for some pupils.
- ❑ It is impossible to deliver normal quality education to 40 pupils in 30 minutes during the wintertime.
- ❑ It was wrong to lay off teachers in the middle of academic year.
- ❑ There was a need for teachers and their layoffs were not justified.
- ❑ Optimization caused conflicts.
- ❑ The pupils appeared in a complicated psychological situation.
- ❑ If optimization would be implemented normally, it would yield to positive results.
- ❑ It would be desirable to carry out layoffs based on a legal basis.
- ❑ If parents have money, then their children will receive normal education.