Evaluation and Analysis of the Education Financing and Management Reform Project in the Republic of Armenia

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EVALUATION AND ANALYSIS OF THE
EDUCATION FINANCING AND MANAGEMENT REFORM PROJECT
IN THE REPUBLIC OF ARMENIA

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ABSTRACT

This project provides an evaluation and analysis of the Education Financing and Management Reform Project. Among the few larger-scope reform projects designed for more expansive changes in the education system of Armenia, the Education Financing and Management Reform Project is the most important, in terms of both its financial aspects and the scale of targeted changes.

The project provides an evaluation and analysis of the Education Financing and Management Reform Project from two points of view: the choice of textbook and decentralization components as tools for achieving quality improvement in the general education system, and the effectiveness of the design for improving textbook publication/provision and achieving successful decentralization of schools. It will also try to find out to what extent the proposed changes match the general development of the country, thus evaluating the chances of success also from this aspect. With a rather pessimistic attitude regarding the effectiveness of the project, the two project questions will be put in the negative: (i) why is this project irrelevant for achieving improvement of the quality of the general education system of Armenia? and (ii) why this project cannot achieve its concrete goals - improved textbook publication and provision, and successful school decentralization?

The project comprises two chapters, each of which covers one of the two questions stated above. The first chapter provides an analysis of the textbook and decentralization components as tools for quality improvement in the general education system. The
second chapter analyses the actual chances of the project to achieve its concrete objectives - successful textbook publication and provision, and school decentralization. For avoiding complication and setting a logical line of analysis, each of the chapters is divided into several sections (some of these having also subsections).
INTRODUCTION

The importance of education as the determinant of a society’s existence, achievements, development and standards of living becomes especially obvious in these days of transition in Central and Eastern European countries. With the collapse of socialism, the transition countries set a twofold purpose, the realization of which would release them from this unfavorable status: raising the living standards of the people in the region and developing more humane and democratic societies than those of the previous more than 70 years. The creation of free markets and open political structures are, of course, the most important means for achieving those objectives. Their creation, however, would be virtually impossible without proper education systems providing the ideological and professional qualities required for the adaptation to the changing realities and the achievement of progressively operating economic and political systems.

“Education”, as Frederick Harbison and Charles Myers define, “is the key that unlocks the door to modernization” (1964:18). The expansion of the idea will inevitably prove the determinant role of education in economic, political and social liberization. In fact, the development of new socio-economic and political systems and the increase in their operational efficiency cannot be realized merely through the implementation of reform policies. Much depends on the professional skills and ideological beliefs of the reform designers and implementators. Thus, the most important and urgent question for the transition countries is the provision of all the spheres of activity with high quality cadres. This may be realized through proper education only (Hovhanissyan, 1999:7).
The political implications of education become evident from the mere fact that the collapse of the socialist regime was due to not only social development and historical coincidence, but also the effective work of an "educated minority". The collapse of socialism does not, however, necessarily presuppose the establishment of democracy instead. This latter is the work faced by the younger generation of decision-makers and to be faced by second and third generations. It is here that one must remember principles affirmed since ancient political philosophers, and embodied in the phrase: "What you want in the state, you must put in school" (Coleman, 1965:6). Education is no less vital for economic growth, than for the establishment and stability of democracy. In the United States, for example, the factor of the direct relationship between education and economic growth is so unquestionable, that the government has given primacy to educational development as an official policy (Coleman, 1965:4). For the individual, education serves not only as a tool of enriching his life in many ways, but also as a vehicle for the transmission of cultural heritage and the creation of human values.

Education is very important for all countries. However, for Armenia - a country with few natural resources and a completely torn-out industry, it acquires a special significance, not to call it a question of survival. In these days of transition, occupied with attempts toward political democratization and economic reanimation, education (along with entrepreneurship) is the main source of development and progress for the country. Moreover, with a population of only 3.7 million (to say nothing of the huge human outflow in result of economic crisis and enormously high unemployment during the recent years), the factor of intellectual capital becomes crucial for the future of Armenia.
With the establishment of communism in Armenia in 1920, a new Soviet-values based system of education was introduced, centrally planned and controlled from Moscow (as every other sphere of life in that period). It is widely admitted that accomplishments in the education system were one of the triumphs of communism. The transition of 1989 found Armenia enjoying high standards of education, with universal adult literacy, top level participation and completion rates, highly professional teachers and proper conditions for learning. However, the transition, alongside with liberation from authoritarian communist “ideological control” over curricula and teaching materials, caused serious systemic defects arising from both economic crisis and the mismatch of the existing content of education to the new conditions of market economy and open political structures.

As a determinant of a country’s political, social and economic growth, education requires major expenditures in terms of both budget spending and time and energy inputs. The fact is that in the present situation, Armenia is unable to provide any of these inputs independently. In result of the economic crisis and the lack of expertise, the country needs foreign financial and professional assistance for the reformation of its system of education. Since the early years of transition, many foreign (mostly US) organizations and the Armenian Diaspora implemented a number of education reform projects in Armenia. The scope of most of them, however, was limited to programs of nutrition, heating fuel and stationary provision to schools.

Among the few larger-scope reform projects designed for more expansive changes in the education system of Armenia, the Education Financing and Management Reform Project is the most important, in terms of both its financial aspects and the scale of targeted
changes. Its total cost being almost US$ 24 million, out of which US$ 15 million is an International Development Association (the World Bank Group) loan with a four years covering term, this project is, in fact, the most costly education reform project ever implemented in independent Armenia. The fact that only the US$ 15 million loan for the project implementation makes approximately 5 percent of the annual national budget of Armenia and is twice as much as the annual education expenditures of the country further emphasizes the importance of the project. The project is aimed at introducing qualitative improvements in the general education system through improved textbook publication and provision, and successful school decentralization. For achieving successful decentralization of schools, the project plans to build proper institutional framework, which at the same time will facilitate improvements in the resource allocation at schools (details of financial aspects of the project in Appendix 1; details of project components in Appendix 2, details of project objectives in Appendix 3).

The improvement of the quality of the education system requires effective strategic policies for sound reforms, especially in the problem of choice of tools. The question of the correct choice of reform strategies is vital for the country, because “when you do not implement sound and consistent reforms, you tend to fail and fail quite badly” (Linn, 1998: http://www.worldbank.org/html/extdr/am98/jlps093098.htr). On the other hand, the achievement of improved textbook publication/provision and decentralization, being more concrete and narrow goals, requires a well-calculated and designed implementation plan. Still, professional expertise is not the only determinant of the success of reform projects. Developments in any concrete sphere of activity must be parallel with the general socio-economic development of the respective country. Professional ignorance or over-enthusiasm may sometimes bring to the same end - miscalculation and failure.
This project provides an evaluation and analysis of the Education Financing and Management Reform Project from two points of view: the choice of textbook and decentralization components as tools for achieving quality improvement in the general education system, and the effectiveness of the design for improving textbook publication/provision and achieving successful decentralization of schools. It will also try to find out to what extent the proposed changes match the general development of the country, thus evaluating the chances of success also from this aspect. With a rather pessimistic attitude to the project, the two project question will be put in negative: (i) why is this project irrelevant for achieving improvement of the quality of the general education system of Armenia? and (ii) why cannot this project achieve its concrete goals - improved textbook publication and provision, and successful school decentralization?
Chapter 1

THE CONTRIBUTION OF THE EDUCATION FINANCING AND MANAGEMENT REFORM PROJECT TO THE IMPROVEMENT OF THE GENERAL EDUCATION SYSTEM

The most important question concerning the Education Financing and Management Reform Project is to what extent it can contribute to the improvement of the quality and sustainability of the general education system of Armenia. In fact, both aspects of this project - textbook publication/provision and school decentralization are - indeed very important and pressing problems requiring attention and concern (detailed description of each problem will be given below in section “Problems Within the Education System of Armenia as Identified by the Project”). Still, as far as these two are not the only problems in the education sector of the country; further analysis is needed to determine the relative weight and seriousness of each problem.

The analysis of the project show that the choice of those two components as the tools for achieving quality and sustainability improvements in the sector is the result of the project designers’ failure to carry out sufficient analysis and evaluation of all the problems in the education sector. This chapter is divided into three sections to show the path of development and the sequence of events that could have brought the experts of the Ministry of Education and Science of Armenia to the choice of these tools. To demonstrate and explain the inconsistency of the project, the analysis will proceed from two points of view:
• The project does not address the problems in the education system in the best way

• This is a financially risky project

In fact, this project is not the only “mistake and miscalculation” of the Ministry of Education and Science of Armenia. It is rather a continuation of the wrong education reform pattern adopted by it. This will be outlined in the opening section of the chapter, describing the general governmental strategies for education reforms in the country. This section will also present the possible reasons that could have contributed to such choice of strategies.

The second section is subdivided into several subsections. The first subsection will dwell on the recent economic development of Armenia. The purpose of this section is to show that the project description of the economic prospects of the country is largely overestimated. The aim of proving the overestimation of Armenia’s economic capacity is twofold. First, it will help to show that the actual economic situation in the country and the intensity of development in it do not allow the reimbursement of US$ 15 million loan in merely four years. Later the same question will be restated in the critics of the project management plan in Chapter 2. Second, demonstrating this overestimation is important, because the agreement of IDA to finance the project is largely due to the wrong economic picture presented by the project. The second subsection provides the description of the problems faced by the general education sector of Armenia as acknowledged by the project. The next subsection will add to the list some other problems, omitted or ignored by the project. The main purpose of this subsection is to illustrate that the strategic importance and the relative weight of the problems connected
with textbooks, underfunding and inefficient resource allocation (decentralization is suggested as a means of solving the last two problems) can change if viewed in complex with the newly added problems.

The last section of Chapter 1 provides an analysis of the strategic importance and relative weight of all the problems of the education sector in complex. Special stress is put on the evaluation of the two components chosen by the project. The main point of this analysis is to show that the chosen two components are not the most strategically suitable for starting the reformation of the general education system and setting the proper and sustainable grounds for further major reforms.

A Review of Policies for Education Reforms in Armenia

In the late 1980s, Armenia had one of the highest standards of education among the republics of the Soviet Union, with universal access to ten years basic education, and 25% university graduates. However, the education system of the country has been seriously jeopardized at the subsequent phases of social transformation. Dropout rates grow rapidly, as many youngsters leave school at the upper grades pushed by economic necessity (in 1994 only 58 out of every hundred completed secondary education). Student knowledge of the curriculum actually represents only 30% to 40% of basic subjects (Human Development Report. Armenia, UNDP, 1996:33). Continuous underfunding and inattention have brought to physical deterioration of schools (buildings, equipment, textbooks).
Moreover, the problem does not consist only in the rehabilitation, but also, and mainly, in major restructuring of the system. With its ultimate goal of "shaping the Soviet citizen", the Soviet type of education was quite satisfactory for someone, whose guarantees of social safety and employment were merely loyalty and affiliation to the Party and a set of facts in his head. Limited in its ability to respond to changing economic structures and employment patterns, this type of education is not appropriate for the market economy, which requires great individual responsibility and flexibility, problem-solving skills and critical thinking. Obviously neither the school programs, nor the teaching methodologies, the content of textbooks and the expertise of educators can meet the modern-day requirements and cope with the new realities of life.

This situation itself dictates the need for education reforms dealing with different aspects and levels of education. Since the early transition, a number of reform projects have been implemented in Armenia, almost all of them with the participation, or under the approval and funding of international organizations, given the hard economic situation of the state. Most of the projects are limited to the provision of food, stationary and other equipment and supplies for schools, particularly in the earthquake zone. However, there have also been some major projects among them, with longer-term implications.

- Since the 1994-95 school year, FDD of the USA has been implementing a "Winter Warmth" Project providing schools with necessary conditions for functioning during the winter months. The result of the project implementation was that forced three-month idleness periods in winter reduced to one month.
• The 1996 marked the initiation of a number of projects aimed at the reform and decentralization of education management, supported and funded by the World Bank. As a result of these initiatives, a school system optimization project has been launched. The optimization procedure was approved by the Minister of Education and Science on 20 August 1997. In April 1998, an education credit was endorsed by the National Assembly.

• In 1996, a joint training project for 1410 headmasters of schools was started by the Center for the World Bank Educational Projects, the Ministry of Education and Science, UNDP and UNICEF. As a starting stage of the project, manuals for school headmasters were created and published in May 1998, and twenty-one school headmaster trainers were trained and granted certificates. The school headmasters’ training started in September 1998. The project was aimed at updating school headmasters and accountants’ managerial knowledge to ensure effective and efficient management in the new conditions of proposed decentralization.

• In 1997, a project was started (and is still in progress) on competitive development grants allocation to schools. This will allow schools to have permanent sources of additional funding.

• In 1997, UNICEF initiated and supported introducing in schools (1st to 10th grades) a new subject called “Life Skills”. The first phase was introduced in 1st-5th grades from the second semester of 1999 (Hovhannissian, 1999:3-4).
All these projects are focused on structural and organizational changes - improvement of physical conditions in schools and effective implementation and completion of school decentralization. The last-mentioned project is an exception to the rule: it is aimed at a qualitative change in the system (development of new skills through new methodologies).

The tendency toward structural and organizational innovations and changes, in fact, constitutes the main feature of governmental policies for education reforms. Several explanations can be brought to account for such one-sidedness in educational policies. First of all, the results of the implementation of structural and organizational reforms start to show in an incomparably shorter period of time than those of the implementation of qualitative reforms. To illustrate this, the outcomes of a new teaching methodology or restructured curriculum are most likely to show only after several academic years of implementation, while the immediate result of the project implementing fuel provision to schools during winter months can be tested almost immediately in the cut of the forced three-month “vacation”.

As a rule, the early results of organizational and structural projects are positive, and possible miscalculations and defects show out much later: what the public sees today is the government’s concern and success in ensuring schooling in winter, possible health problems caused by long stays in cold classrooms and breathing of dry (from fuel) air will come out much later. Most naturally, the government of a transition country like Armenia, having faced numerous collapses in every sphere of life craves, seeing positive results as soon as possible. On the other hand, every government is more inclined to implement changes with immediate positive results, which will raise their shaked
authority in the public eyes and not work in favor of succeeding governments in the coming years. As an opposition member puts it: “Our governments works for reputation, not for progress” (Anghalatian, 1998:2).

The second explanation refers more to the “decentralization complex” of the government, which takes roots in the Soviet period when the content of education was planned and controlled centrally from Moscow. The political rulers of the Soviet Union assigned to education a key role in the transformation of traditional beliefs, attitudes and sentiments, and in the development of a new, “socialist” value system - a monolithic and homogeneous political culture fostering absolute devotion to the Communist Party. The “new Soviet man” was supposed to be not only a “civic man”, or an “industrial man”, but also, and first of all, a “totalitarian man”, which ensured the concentration of power in the hands of a certain core (Coleman, 1965:235). These considerations led to the entire politicization of the curriculum, though the main “indoctrinational burden” fell on the social sciences and humanities (Counts, 1957, p. 93). With the main emphasis put on the acquisition of facts (interpreted to fit the “socialist standards”), and much less, if at all, on the development of analytical skills and critical thinking, the Soviet government, in fact, was carrying out a consciously prepared process of standardization of minds, that would create obedience and loyalty to authority, and would ensure the stability of the existing regime. “It is a fundamental anomaly and injustice”, as Charles L. Glenn notes, “when the state sets itself up as a rival to parents in shaping the beliefs and loyalties of children” (1995:9).

It is not unnatural, then, that post-communist governments display as much enthusiasm in quickly reducing central controls and offering educational choice to parents and local
communities as they did in privatizing state-owned enterprises. The breakup of the centrally controlled education system is often interpreted as a necessary condition for preventing the reinstatement of such a monopolistic control - "break it quickly and thoroughly, so it cannot be put back together" ("Educational Choice in Eastern Europe and the Former Soviet Union: A Review Essay", in "Education Economics", English-language magazine, 1997:2). Anyway, given the constraints of the Soviet centrally planned education system and the general attitude to it on the side of the post-communist authorities and the public, the speed and resolution of the school decentralization reforms can be quite understandable.

The fact that the government's open tendency toward structural and organizational reforms allows logical explanations, however, does not testify to their absolute relevance in the given situation. Much depends on the acknowledgment of the key problems faced by the education sector today and the determination of the place and seriousness of each in relation to others, for the purpose of setting the priorities. The enthusiastic and reputation-seeking approaches could be more or less understandable in the years of early transition with vivid memories of the Soviet system. By the late 1990s, it is already high time for the government authorities to overcome parochial thinking in decision-making and display more expertise and farsightedness.
The Education Financing and Management Reform Project

In the determination of the key aspects that should be covered in the project of 1997, the government of Armenia, in fact, restated once again its previously used policy pattern - structural and organizational reformations. Thus, from the list of a number of major problems faced by the education system of Armenia, the government’s choice fell on the improvement of textbook publication and provision to schools and building management framework for school consolidation and autonomy (see detailed description of project components in Appendix 2). The main factor that could have influenced the government’s choice of reform components is the underestimation of some serious problems within the education system. The main factor that could have influenced the IDA decision to provide financial contribution to the project is the overestimation of the economic capacity of Armenia due to the project’s presentation of it.

The idea of developing an education financing and management reform project emerged as a result of the 1995 social assessment of health and education which revealed the enormous intensity of public concern about the deterioration in education services, with particular stress on basic and secondary education. Thus, 50 percent of respondents in the household survey found that education is the most important and pressing problem facing the country, and 83 percent named education in the top three problems (Education Financing and Management Reform Project, 1997:8). The points of main concern were:

- high costs of education
- low quality of education, especially in rural areas where there is a lack of specialists
- availability and cost of textbooks
- lack of motivation of teachers because of low salaries
- necessity in private lessons because of the low quality of school base education
- no equity for good performers in access to higher education.

This survey worked as an incentive for the government of Armenia to entrust the Ministry of Education and Science with the task of developing a major education reform project that would refer to the pressing problems in the sector. It was clear that it is virtually impossible to cover all the problems within a single project. It was necessary to review and research in detail the problems existing in the general education sector of Armenia and among them find those that were not only the most pressing, but also crucial for establishing a proper background for further effective and efficient reforms in other aspects of education. The required primary work included also an evaluation of the general economic system of Armenia for the determination of the financial aspects of the project.

**The Recent Economic Development in Armenia and the Funding of the Project**

The development and implementation of an education reform project, however, would be virtually impossible to finance without external resources. To date, external support to the education sector has been negligible, the main concern being the improvement of the economy machine. Humanitarian assistance provided to schools was limited to food, heating fuel and supplies; towards 1997 even this was already pulling out, as the crisis was perceived to be over. These factors indicated that the starting point of the reform project should be finding donors and sponsors.
In consideration of the problematic economic situation in Armenia, the initiators of the education reform project needed to complete two main tasks to attract external funding: to prove that the government of Armenia was incapable to finance the project by itself, and that the current economic development of the country, in complex with a skillful financial management of the project to-be-proposed, allowed the reimbursement of the loans received from external sources in the near future. It shouldn’t appear surprising then that the picture of the recent economic development of Armenia presented by the Education Financing and Management Reform Project is realistic only in the description of the early transition in the country, and too optimistic in that of the present economic situation, which clearly sets the precedent for the future as well.

After the collapse of the Soviet Union in 1991, the independent Armenia inherited a distorted, inefficient and obsolete national economy. As a result, there was a catastrophic decline in output (reported to have dropped by 52 percent in 1992, and a further 15 percent in 1993) accompanied by hyperinflation (only in the last two months of 1993 it accelerated to 900%) (Education Financing and Management Reform Project, 1997:1). The years of 1992 to 1994 faced a sharp fall in the living standards; the household survey in 1994 classified the vast majority of its respondents as poor, especially urban residents cut from resource to subsistence agriculture (Education Financing and Management Reform Project, 1997:1). In the described conditions, the cuts in the public sector financing can hardly be surprising. Thus, from more than 30 percent of GDP in 1991, the public sector revenues fell to 14 percent in 1996 (to see the cut in the real terms, one should also compare the decline in the GDP in the same period) (Education for All?, 1998:6). The slight indication brought in the project on the “increasing inequality in the distribution of income in the earlier periods of transition” (Education Financing and
Management Reform Project, 1997:1) is in fact much more serious. Nowadays Armenia has the distinction of being an inegalitarian country. No indication is brought on the factors of severe unemployment (16 percent in 1996) (Aravot, 1996:7) and corruption, widely common in all spheres of life that introduced further complications and deepened social inequality.


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<tr>
<th>Armenia</th>
<th>Czech Republic</th>
<th>Bulgaria</th>
<th>Poland</th>
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<td>0.65</td>
<td>0.34</td>
<td>0.38</td>
<td>0.30</td>
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<td>0.36</td>
<td>0.42</td>
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Since 1994, Armenia has made efforts in reforming its economy and establishing a suitable policy framework. The relative progress of Armenia as compared to the situation in 1991-1994 is obvious, but in the words of the Chairman of the Central Bank of Armenia Tigran Sargsyan, “the experience of previous years shows that the planned economic estimates are almost always overrated” ("Delovoi Express", 1998:4). Most probably, the overestimation of Armenia’s current and future economic development in Education Financing and Management Reform Project is due to not only “overrated planned economic estimates”, but also certain interests mentioned above. Table 1 above shows that the coefficient for income distribution in Armenia as compared to other transition countries mentioned in the table is the highest, which is not true. The reason of overestimation of the real situation is to show that there is an improvement in the economic progress of the country.
Thus according to the data provided by the project, due to the stabilization program sustained since 1994, the budget deficit reduced to 8 percent of GDP in 1996 (six times less than in 1993) and the GDP itself grew by 5.4 percent in 1994 and kept on growing by analogous rates in the following years. There is, however, no remark on the continuous growth of the external debt of Armenia, which reached US$ 831 million in the year 2000 (almost twice as much as the annual budget of Armenia), ("Golos Armenii", 2000:1). While openly reporting on the “happy” fall of the annual inflation to 6% in 1996, the Project fails to mention the 21% inflation in 1997 (instead of the expected 10%), ("Annual Report", Central Bank of Armenia, 1997:17). Moreover, the evidence of the former Minister of Finance Janik Janoyan, reveals that since its introduction as the national currency of Armenia (dram) in 1993, it was devaluated more than 35 times ("Golos Armenii", 2000:1).

The facts of “the stimulation of the private sector” and “the quickly proceeded privatization with 80 percent of small enterprises and 65 percent of medium and large enterprises”, as reported by the project, need a further elaboration to show the actual outcomes. In result of the wrong privatization policies, introduced with structures encouraging opportunistic, rent-seeking behavior instead of trying to involve as many entrepreneurs and skillful businessmen as possible, all the mentioned small, medium and large enterprises are now properties of a handful of very powerful individuals ("Respublica Armenia", 1998:3). Some members of Parliament claim that the economy of the country is managed not by the Ministry of Economy, but by 2-3 people, and the scope of the shadow economy is growing enormously ("Golos Armenii", 1998:2).
These conditions indicate that the general economic situation in Armenia does not allow any hope for early recovery. In fact, there is some progress as compared to the situation in the near past, but this progress cannot be characterized as intensive. Under such shaky and unpredictable conditions, taking responsibility for the reimbursement of a comparatively short-term (four years) loan amounting US$ 15 million for the implementation of a major education reform project seems to be a big risk, even in case of having an unfailing financial management plan for the project implementation. Moreover, the project provides no indication on the possible financial sources that will be used for the loan reimbursement. To draw the parallel, one of the major factors leading to the 1998 financial crisis in Russia was high short-term indebtedness of Russian banks (Linn, http://www.worldbank.org/html/extdr/am98/jlps093098.htr), (for details of the financial aspect of the project see Appendix 1; for details of the general education expenditures as a share of GDP see Table 2).

The same doubts about the government’s ability to reimburse the IDA loan within four years were expressed by Nerses Gevorkyan, a head of the Foreign Relations Department of the Ministry of Education and Science of Armenia (Interview with Mr. Nerses Gevorkyan, 03/2003). The fact is that, in case of postponement of the loan reimbursement (which seems almost inevitable), the government will not get away with merely extra payments in the form of interests and penalties. The reputation of the government will suffer no less than its budget, and the implications of it for the future of the country can be even more serious.
The second major task at the starting point of the project was the acknowledgment of the pressing problems within the education sector and the determination of the relative weight of each of them to establish priorities. In fact, all the problems in the sector are interconnected and interdependent, but no research has been carried out for determining cause-and-effect relationships among them. Such research would openly reject the priority of textbook and decentralization components and would allow to state a new and more effective pattern of reform policy, starting with problems which could ensure sustainable changes and reformations and wouldn’t require further interventions in the subsequent years, thus allowing the government to focus on the remaining problematic aspects of the sector.

The project names and describes a number of problems that have a key importance for the functioning of the whole education system of the country. These include underfunding in the system, poor and unhealthy physical infrastructure, the nominal salaries of teachers and the absence of incentives for them, unavailability of textbooks, ineffective teaching methodologies, inefficient resource management and inequity in access to education. A short description of each of these problems will give general information about the actual situation in the education system of Armenia and will set the grounds for further discussions.

*Underfunding.* Prior to independence, the general budget of the Soviet Union supported all education expenditures. In the late 1980s, the estimated average unit cost across all levels was approximately US$ 500-600 per student. The per student expenditure in the
first budget of independent Armenia in 1992 was a mere US$ 24, which fell even lower in 1994. In the period of severe crisis, the government of Armenia did not consider the maintenance and development of the sphere as a strategically important priority, even though it was the main source of cadre provision for national economy and politics (political short-sightedness has long been, and in a sense, still is a constituent feature of the Armenian government). Survival of the education system depended highly on payments by parents (mainly informal - for textbooks, extra classes and extracurricular activities). By 1996 the education expenditure increased and reached 2.5 % of GDP, which is still less than half the world average. In 1997, it again showed tendency to a slight decrease in terms of both the share of GDP and the share of total government expenditure (Education Financing and Management Reform Project, 1997:4). The inconsistency of education expenditures becomes clearer in consideration of the huge decrease of the GDP in the years of transition.

Table 2: Public Expenditure on Education in Relation to Total Government Expenditure and GDP (%) (“Education for All? ”, 1998:24)

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<tr>
<td>Education expenditure within TGE</td>
<td>11.2</td>
<td>6.0</td>
<td>4.5</td>
<td>8.1</td>
<td>8.4</td>
<td>8.0</td>
</tr>
<tr>
<td>Education expenditure within GDP</td>
<td>7.2</td>
<td>4.9</td>
<td>2.0</td>
<td>2.7</td>
<td>2.5</td>
<td>2.1</td>
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Table 3: Public Expenditure on Education in Armenia Compared to Selected Countries (% of GDP) (“Education for All? ”, 1998:26)

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<th>Russia</th>
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<tr>
<td>1990</td>
<td>6.6</td>
<td>6.1</td>
<td>3.8</td>
<td>4.4</td>
<td>4.6</td>
<td>8.0</td>
<td>2.0</td>
</tr>
<tr>
<td>1996</td>
<td>2.5</td>
<td>1.2</td>
<td>3.0</td>
<td>5.5</td>
<td>6.8</td>
<td>5.4</td>
<td>3.2</td>
</tr>
</tbody>
</table>
Table 4: Public Expenditure on Education in Developed Countries.

<table>
<thead>
<tr>
<th></th>
<th>North America</th>
<th>Asia/Oceania</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>5.4</td>
<td>4.0</td>
<td>5.1</td>
</tr>
<tr>
<td>1996</td>
<td>5.4</td>
<td>4.0</td>
<td>5.3</td>
</tr>
</tbody>
</table>

Inadequate funding not only jeopardizes the state’s ability to complete its obligations as the coordinator of the education system, but also has a negative impact on the quality of functioning of schools. Improvement of the general education system requires an increase in the allocation of funds in the State budget. Achieving more or less adequate funding depends also on mobilizing additional non-budgetary resources through the activization and schematic formalization of extracurricular activities and community, as well as parental contributions (existent in the system, but yet mainly informal).

Physical Infrastructure. As a direct consequence of underfunding, as well as the 1988 earthquake, many school buildings in Armenia have deteriorated, in many cases presenting health hazards. The vast majority of schools has no functioning heating system and depends on kerosene heaters provided by families or humanitarian agencies. Furniture and equipment are grossly inadequate and require replacement. Numerous schools in the earthquake zone are still housed in temporary buildings (14 years after the earthquake). All these factors compound the conditions for teaching and learning in the educational institutions of the country, and present further constraints to the improvement of the system.
Teacher’s pay and incentives. During the years of transition, teachers have been receiving only nominal salaries; in 1996 they equaled approximately US$ 12 per month ("Education Financing and Management Reform Project", 1997:4) and there has not been much change since then (consumer basket for 1998 was estimated at US$ 18, which is an accounting paradox by itself) ("Iravunk", 1998:2). In fact, it is virtually impossible to maintain one’s being with this amount. For this reason almost all teachers have to engage in extra activities (often trade or manual work), which become their primary sources of income and leave less time and interest for their school obligations.

Table 5: Additional Jobs Held by Teachers
(Hovhannissian, 1998:33)

<table>
<thead>
<tr>
<th>Types of Engagement</th>
<th>Number of Teachers</th>
<th>Percent from responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private lessons</td>
<td>80</td>
<td>23.9</td>
</tr>
<tr>
<td>Work in state agencies</td>
<td>12</td>
<td>3.6</td>
</tr>
<tr>
<td>Work in private structure</td>
<td>4</td>
<td>1.2</td>
</tr>
<tr>
<td>Work as home workers</td>
<td>17</td>
<td>5.1</td>
</tr>
<tr>
<td>Work on the family plot</td>
<td>82</td>
<td>24.5</td>
</tr>
<tr>
<td>Are engaged in trade</td>
<td>2</td>
<td>0.6</td>
</tr>
<tr>
<td>Are engaged in business</td>
<td>1</td>
<td>0.3</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>1.7</td>
</tr>
<tr>
<td>Did not respond</td>
<td>131</td>
<td>39.1</td>
</tr>
<tr>
<td>Total</td>
<td>335</td>
<td>100</td>
</tr>
</tbody>
</table>
The social status of teachers is undergoing a progressive decline, and teacher training is already a highly unpopular option among academically successful graduates. All these factors, combined with the extremely difficult conditions for teaching resulted, in an outflow of qualified teachers from the sector and brought a decline in the level of qualifications in the teaching force. With the development of the labor market and the widening of opportunities for better income in international organizations and local private enterprises, the outflow of valuable specialists is likely to grow, unless incentives are created for attracting and keeping high quality specialists.

Textbooks. One of the crucial problems of the education sector in Armenia is the failure in the provision of basic textbooks. In the Soviet period each pupil was provided free of charge with a copy of all the required textbooks on loan for the year. With the independence, most textbooks have been revised with the aim to remove the Soviet ideological bias and reflect national culture and history. However, as a result of inefficient printing and distribution management (caused by inadequate funding and lack of managerial experience), nowadays only 30 percent of pupils are provided with textbooks for basic subjects. Moreover, since 1992, parents have been paying for textbooks, with no other option being available. There has been a strong public opposition to this. Given the high number of poor population in the country, this measure introduced inequities in access to basic textbooks among pupils. There is a need for an effective system of textbook provision that will be affordable to parents and will meet the new needs of teachers and pupils.

Pedagogical Approach. In the Soviet school the reflection of socialist values was realized not only through the content of education, but also through teaching styles and
methods, which were generally rigid and authoritarian. The spirit of discipline and hierarchy, defined as “the submission to the will of a leader”, set the atmosphere in all levels of education. The teacher was the principal authority figure in the class, “the engineer of human souls”, as Soviet president Kalinin put it (Coleman, 1965:244). A great importance was attached to the development of collective thinking - to the “collectivization” of the student as opposed to “individualism”. The class was always viewed as a whole, with insufficient attention paid to the problems of individual children. Learning processed merely through mastering facts.

The new post-communist realities most naturally present new requirements for life. There is an urgent necessity to adapt curricula and teaching methodologies to the needs of pupils in a market economy. The education system of Armenia needs an urgent move from “knowledge-based” methodology to one that will encourage and support the development of adaptive skills, critical thinking and individual initiative. This would require a shift of focus in the process of the class, from subject content to learning processes.

**School Consolidation and Rationalization of Staffing.** The financial crisis in the sector due to underfunding is further complicated by an extremely ineffective allocation of resources within the system. This refers in the first place to the unsustainably generous distribution of facilities and personnel. In fact, the existing allocation of buildings, teachers and other staff to general education is completely out of control in Armenia - the variation between schools and even between regions in class sizes and staffing ratios is enormous. The headmaster of school No. 7 of the town of Artik, Arpine Manandian,
reports that there is only one tenth form in the school with approximately 10 pupils (Khachatrian, 1998:3). In the only school of the small town of Mrgashen, with a population of 3-4 thousand, there are only 19 classes with an overall 400 pupils (Khachatryan, 1999:3). This situation is characteristic of many rural schools. In contrast to this, the average density of pupils in each class in the schools of Yerevan and other cities is 24.6 (Hovhannissian, 1998:5). Many schools, particularly in rural areas, have a pressing shortage of teaching staff in several subjects (e.g., the school of Mrgashen doesn’t have teachers of the Armenian language, history and physical training (Khachatryan, 1999:3), while in most of the schools the teacher/pupil ratios are highly generous and unsustainable under the present level of funding. This estimate for 1997, for example, is approximately 1:10, while the indicator in a number of developed countries is 1:25 (Hovhannissian, 1998:5).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>10.7</td>
<td>10.8</td>
<td>10.3</td>
<td>9.8</td>
<td>9.5</td>
<td>9.5</td>
<td>9.6</td>
<td>9.8</td>
</tr>
</tbody>
</table>

A more efficient allocation of resources is crucial for the future success of school management. There are, in fact, many options for using education resources more effectively - by merging schools, letting or selling surplus buildings, increasing pupil/teacher ratios and reducing the number of non-teaching staff. The funds created through a more skillful management of education resources could contribute to the
increase of teachers’ salaries and the provision of schools with necessary furniture and equipment.

**Equity in Access to Education.** With the introduction of informal payments within basic and secondary education and the restriction in free-of-charge places in post-secondary education institutions (only 30 percent of university places are free-of-charge (Levonyan, 1998:4), the government plans to introduce payments for all the places in higher learning institutions by 2003 (Ananyan, 1999:5). Education is increasingly becoming the privilege of the children from well-off families. As revealed by the 1996 social assessment of health and education, one of the reasons for large non-attendance and irregular attendance in schools is the inability of the families of many children to afford informal payments - payments for goods and services previously provided by the state free of charge ("Education Financing and Management Reform Project" 1997:5). Another matter of concern is that after the close of the majority of professional schools, poor children failing to meet the academic requirements of the selective examinations for entrance to grades nine and ten are often left with no alternative for continuing education and no practical skills. The situation with equity in access to education is taking place in almost all former Soviet Union Republics. With the reference to Russia Nikandrov (2000:217 in "Financing Education in Transitional Societies: Lessons from Russia and China", 2001:347) observed that, ‘in contrast to earlier times, there is now no talk about equity of opportunity; differentiation is not only admitted but encouraged’.
Table 7: Summary of Main Informal Education Expenses by Grades

<table>
<thead>
<tr>
<th>Item</th>
<th>8-10 grades, in drams (AMD)</th>
<th>1-7 grades, in drams (AMD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New uniform and stationary</td>
<td>38,000-64,000</td>
<td>29,000-44,000</td>
</tr>
<tr>
<td>Renovation/repair</td>
<td>0-3,000</td>
<td>0-1,500</td>
</tr>
<tr>
<td>Presents for teachers or parties</td>
<td>5,000-10,000</td>
<td>0-3,000</td>
</tr>
<tr>
<td>Additional classes</td>
<td>0-120,000</td>
<td>0-50,000</td>
</tr>
<tr>
<td>Textbooks</td>
<td>4,000-15,000</td>
<td>2,500-6,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>47,000-213,000 (US$ 95-430)</strong></td>
<td><strong>31,500-104,500 (US$ 60-210)</strong></td>
</tr>
</tbody>
</table>

The aim of dwelling upon the problems of the general education sector of Armenia is twofold. First of all, in the discussion of an education project, it is important to set the picture of the general situation in the sector for making the judgments and analysis more comprehensible and justified. Second, the discussion and analysis of the education sector problems acknowledged by the project could allow to determine those problems which should be strategically addressed to form a solid basis for future reforms in the sphere.
There can be no doubt about the huge impact and important implications of all the acknowledged problems for the functioning of the education system of Armenia. Still, a number of problems, that are no less vital, have been omitted or left out from the project. Really, the picture of the sphere of education in Armenia would be incomplete without reference to such global and far-reaching problems as wide-spread corruption in the system, the gap between the content of secondary education and requirements for enrollment in post-secondary education institutions, and the absence of incentives for pupils to learn.

**Corruption.** Immediately after the collapse of the communist regime, widespread corruption became one of the most characteristic features of Armenia. Not only the number of individual cases grew, but also crime operations organized by corrupt officials became increasingly common. In fact, corruption in Armenia cannot be explained only by cultural and traditional peculiarities. The establishment of the “traffic of privileges”, as Walter Lippmann calls corruption, is itself a symptom of economic change and is flourishing in all the former Soviet states (Lippmann, 1997:335).

The intensive and limitless spread of corruption in Armenia may be attributed to a number of factors: (i) great government intervention to control economic and political forces, as happened in the early years of transition, as a norm, brings about conditions ripe for corruption, (ii) in any intervention, one set of actors is necessarily favored over another, which forces the losers to switch to the method of bribery for promoting their interests, (iii) politicians and government officials may often find that they are not...
adequately compensated for their services, and exercise corruption as an alternative source of income, (vi) minor enforcement capacity of the government makes officials less worried about being caught and promotes the probability of corruption, (v) weak legal infrastructure, partial changes in the law has brought about a messy situation when many points contradict each other, are mutually exclusive or incomplete, thus allowing officials to manipulate them in their favor (“Problems of Post-Communism”,1997:3-5).

Usually defined as “violation of the law, social norms and public trust” (“Problems of Post-Communism”,1997:2), “behavior which deviates from the formal duties of a public role because of private-regarding pecuniary or status gains or violates rules against the exercise of certain types of private-regarding influence” (Nye, 1969:417), corruption in Armenia proceeded on several levels. It was not only the “privilege” of the official spheres, but went far beyond it into the every-day relationships. The wages in the country, especially in the education system, are below the minimum for survival, and many school teachers and university professors are compelled to search for additional ways for supplementing their income, which often brings them to demanding facilitating payments from citizens (Eigen, 1994:67-8).

Rampant corruption is usually justified as “everyone else is doing it” (“China after Deng Xiaoping Comrade’s Dilemma”, in “Problems of Post-Communism” 1997:3) Some people find the “marketization” of schools to be something natural - the teacher has some goods to sell, the parent has the need to buy. But “the teacher’s goods” very often goes beyond extra classes to grades and credits (Hairapetian, 1998:3). Nowadays bribes are an assured means for securing good exam and final marks at every level of education, for entering prestigious schools and university departments (certain departments in the
Yerevan State University, particularly law and economics, are secured exclusively for the children of the "elite"). The " politicization" of admission examinations in the post-secondary institutions seems to be already a common and universal phenomenon (Ananyan, 1999:5). The 1995 social assessment of health and education revealed that one of the main points in education attracting high public concern is the absence of equity for good performers in access to higher education ("Education Financing and Management Reform Project", 1997:5). In the vast majority of cases bribes become the criteria for selecting pupils and students for academic grants, travels and honors. In the post-education career making, bribes and "good" acquaintances serve as the best CV and cover letter for the applicants. In the words of American-Armenian reporter David Zenian, what matters in Armenia is "not what you know, but who you know" (Zenian, 1998:13-4).

In most cases corruption progresses even further and covers the property issues of schools and universities. Accounting books and reports can never serve as a base for an Armenian citizen knowing the "rules of the game" for determining how the school resources are managed. Only those engaged know the truth about the real "use" of additional buildings and other resources, the "allocation" of the even scarce school budgets, and the "distribution" of foreign aid, though everyone else can guess almost unmistakably where all that goes.

Pupils' Incentives. One of the problematic aspects in the education sector catching the attention of the specialists is the progressively declining enrollment and attendance rates and increasing dropout in schools. Thus, according to the 1995 health and education assessment survey, the rate of non-attendance is 4.6% of the sample ("Education
Financing and Management Reform Project”, 1997:1). Investigations show that school attendance is highly irregular by over a third of children (34.3 %) (Hovhannissian, 1998:5). As per sociological polling results, many pupils (27%) bring the reason of “not wanting to go to school” for their dropout and irregular attendance (“Education Financing and Management Reform Project”, 1997:1). Other commonly quoted reasons include poor physical conditions in school, working to help the family and inability to meet the costs.

But as sociological polls show, parents’ complaints about poor physical conditions are more likely to refer to cold temperatures in the classrooms in the winter months, than the general physical poverty and inconveniences in schools. Inability to meet the informal costs at schools also gained a relatively low percentage, as compared to the unwillingness to attend and necessity to work to supplement the family income (Hovhannissian, 1998:5).

Table 8: Main Reasons for Dropout and Absenteeism at School (%)
(Hovhannissian, 1998:5)

<table>
<thead>
<tr>
<th>Sickness</th>
<th>Absence of willingness</th>
<th>Work factor</th>
<th>Poor physical conditions</th>
<th>Inability to meet costs</th>
<th>Load of additional classes</th>
<th>The school will anyway grant certificates</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>28.8</td>
<td>27</td>
<td>7.4</td>
<td>4.8</td>
<td>16.1</td>
<td>13.6</td>
<td>0.7</td>
<td>1.6</td>
</tr>
</tbody>
</table>

In fact, the value of education has undergone a considerable decrease in the period of transition. The fact that good performance at school does not increase the chance for
continuing education in post-secondary institutions has become a source of discouragement and loss of interest in most of pupils. Moreover, the value of general education is determined not only by its ability to provide access to higher education, but also expectations of social mobility. There is considerable indirect evidence showing the weak links between the level of education and earnings ("Education for All?", 1998:37). Many university graduates are forced to practice unskilled labor to make ends meet. In many cases education not only doesn’t ensure higher levels of earning, but the contrary; many highly educated people engaged in academic activities are much worse-off than those engaged in trade and handicrafts.

It is not surprising then, that many pupils simply do not see the point of studying and prefer to work instead of going to school. Even those still enrolled at schools do not attend it to obtain knowledge, but to spend time with friends and receive a certificate - just “in case”. Most naturally, the pupil’s awareness that he is “condemned” to a low skill track naturally leaves little incentive for him to acquire knowledge ("The Unseen Challenges to ECA’s Education Systems", 1998,17). Sociological poll indicates that even if access to higher education were provided, many parents ask the question what good is higher education if it does not lead to higher earnings ("Education Financing and Management Reform Project", 1997:6).
Table 9: Students Breakdown by Their Wish to Engage in Certain Activities after They Finish School (age group 16-17 (Hovhannissian, 1998:32)

<table>
<thead>
<tr>
<th>Responses</th>
<th>What would I do if that depended on me</th>
<th>What I am going to do</th>
</tr>
</thead>
<tbody>
<tr>
<td>Study in a school of higher learning</td>
<td>65.0</td>
<td>6.5</td>
</tr>
<tr>
<td>Enter a college</td>
<td>9.5</td>
<td>21.2</td>
</tr>
<tr>
<td>Learn a specialty at a vocational school</td>
<td>3.9</td>
<td>6.9</td>
</tr>
<tr>
<td>Learn handicrafts</td>
<td>7.3</td>
<td>17.2</td>
</tr>
<tr>
<td>Work with a businessman</td>
<td>1.1</td>
<td>1.9</td>
</tr>
<tr>
<td>Work in a state organization</td>
<td>0.8</td>
<td>0.6</td>
</tr>
<tr>
<td>Engage in trade</td>
<td>2.3</td>
<td>2.9</td>
</tr>
<tr>
<td>Do nothing</td>
<td>1.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Marry</td>
<td>1.5</td>
<td>1.3</td>
</tr>
<tr>
<td>Join the army</td>
<td>0</td>
<td>32.0</td>
</tr>
<tr>
<td>Have not decided yet</td>
<td>3.6</td>
<td>5.4</td>
</tr>
<tr>
<td>Leave the country</td>
<td>4.3</td>
<td>3.5</td>
</tr>
<tr>
<td>Other</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Did not respond</td>
<td>0.1</td>
<td>0.2</td>
</tr>
</tbody>
</table>

The Gap between the Content of Secondary Education and Requirements for Enrollment in Post-Secondary Education Institutions.

Along with the sector corruption that makes access to higher education increasingly restricted to the children of “elite”, the gap between the content of education in secondary schools and higher education enrollment requirements further compounds the situation. In Armenia no student is able to join a post-secondary institution without additional private schooling. More than 85 percent of school graduates joining schools of
higher learning admit to have taken private classes in the course of a year or more. The majority of the rest come from private schools ("Education Financing and Management Reform Project", 1997:1-2). The schools of the country do not offer pupils of higher grades skills or knowledge other than what has traditionally been taught, while the admission requirements of the higher education institutions have undergone considerable increase in terms of both analytical skills and the scope of information. The result is an increased inequity to higher levels of education, because a considerable portion of population cannot afford paying for additional lessons amounting US$ 400-1000 per year for one subject.

On the other hand, some pupils’ regular attendance of private lessons introduces complications into their academic life at school. These pupils concentrate their attention on a number of subjects necessary for the admission into the chosen sphere of higher learning, and the rest of the school subjects - the “unnecessary” ones - are retracted to a secondary level. On the top of all, this phenomenon has a reflection on the general class atmosphere. The establishment of a clear-cut line between the “privileged” pupils (those able to afford private lessons) and the “outcasts” (pupils from poorer families) is practically unavoidable in such situations (Khachatrian, 1998:3).

The acknowledgment of these additional problems as largely existing within the sector completely changes the general picture. Moreover, it changes the interrelations within the different problems in the sector, and offers an alternative way of viewing them. The revaluation of the problems by the government experts designing reform strategies becomes an important step here for determining the best possible aspects for reform.
Analysis of the Problems within the Education System of Armenia: the Ability of the Education Financing and Management Reform Project to Address Them

Despite the project’s concentration on two concrete spheres of reform, textbooks and capacity building for successful school management, its objectives are not limited to improvements of merely these aspects. As the project objectives shows (“Education Financing and Management Reform Project” 1997:1), the strategic focus of the project is achieving improvements in the quality and sustainability of general education. The promotion of school level initiatives, the increase in the opportunities and incentives for innovation in the system, and the improvement of the supply of textbooks are chosen as the tools for reaching this objective. Moreover, the implementation strategy for building reform management capacity claims to improve school performance (along with mobilization of resources) by granting legal and financial autonomy to schools (see Appendix 2).

The first question that comes forward concerns the concept of “quality”. It seems unclear what the project implies under “quality”. It may refer to a number of constituents or a set of them: the general financial capabilities and physical infrastructure of the system, the set of school subjects and the level of instruction, the teaching methodologies used in the system, the school performance and the general academic level of school graduates. No indication is provided to show which of these constituents are meant to be improved by “promoting school-level initiatives, increasing the opportunities and incentives for innovation throughout the system and improving the supply of textbooks and teaching materials”.

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The most probable among the various possible answers seems to refer to the quality of the final school outputs - pupils with a good knowledge of curriculum subjects and highly developed analytical skills. The likeliness of this version is supported by the project’s plan to give a new definition of the compulsory core curriculum; this constitutes one of the components of the project strategy for finance and management reforms. Defining the compulsory curriculum is a major step in the reformation of education with important long-term implications for the whole system. This, however, refers not to every kind of curriculum revision. The results of the seventy years of ideological and psychological bias cannot be removed by mere changes in the names and ideological content of school subjects. It is necessary to create new conditions for the psychological and ideological redirection of pupils, the development of new working ethics and practical skills in them. The directory in the trends of curriculum development should be the requirements of the market economy, and the labor demand in it (Hovhanissyan, 1999:7).

The new definition of curriculum, however, will be most probably limited to an additional revision of it to finally remove Soviet ideological bias and introduce more historical and cultural elements. The Institute of Curriculum Development of the Ministry of Education and Science of Armenia lacks both knowledge and expertise for working out qualitatively new curricula (Interview with Nerses Gevorkyan). The unlikeliness of introducing a qualitatively new type of curriculum to be taught by new, Western-type methodologies directed to the development of analytical and problem-solving skills in learners, is further demonstrated by the fact that no change in teaching methodologies is planned by the project. Thus, even the final revision and definition of
the core curriculum cannot bring real “qualitative” changes to the system, for it does not aim at the development of new, presently essential skills in the pupils.

It is unclear also how the project can facilitate improvement of school performance by granting legal and financial autonomy to schools. It is true, that school decentralization as a process is only a means to an end, and its final purpose should be raising learning achievement. The decentralization, however, may be undertaken for various reasons that sometimes may have little to do with the improvement of school quality (“Education for All?”, 1998:72). The organization of decentralization as intended by the project hopes only for improved resource allocation, and by no means improved quality. Still, there are two major points of contradiction. First of all, as research shows, better allocation of resources seems to have little to do with the overall quality of learning in the system (Hovhannissian, 1998:5-6). Second, even in case of successful reallocation of resources, there are no established norms controlling the redirection of the funds accumulated by a better resource allocation. In the light of the widespread corruption in the system, the question of redirection of funds appears somewhat problematic and requiring strong control.

Control by whom? The corruption in the system is a disease typical to all levels from administrative officers engaged in the design and management of the sector to teachers and professors. No one can blame any of the corrupt officials for their illegal activities. In fact, there cannot be any prospect of effective and equitable social policy if those administering and monitoring it are underpaid. Most of the failures in the design, implementation and monitoring of social policy can be attributed not only to the lack of expertise, but also and mainly to the lack of motivations for public officials (“The Folly
of Social Safety Nets: Why Basic Income is needed in Eastern Europe”, in “Social Research”, 1997:4). This does not merely make them unwilling to work properly, but in many cases also prompts them to search for income in the designs they work on, by making those designs open for manipulation.

Ineffectiveness of the project shows not only in the impossibility of meeting the planned objectives in relation to qualitative improvements in the general education, but also using the intended tools for these objectives. None of the components of the project indicates any possibility of “increasing incentives for innovation in the system”. In this case incentives should be created for both teachers and administrative officials engaged in system management. The only form of incentives can be increased salaries (or at least reliable hopes for improved salaries in the near future) and a system of rewards. The project can hardly claim to provide any of these. If no incentives are created for teachers and administrative officers in the system, there are no ways the project can “promote school level initiatives” - the other tool it claims to use for “achieving improvements in the quality and sustainability of general education”.

The question of achieving sustainability of the system seems open for debate as well. In fact, the textbook component is one of the most unsustainable aspects in the system. In Armenia, textbooks for core subjects in schools have been revised and changed several times since independence (usually with every change in the leadership of the Ministry of Education and Science (Interview with Nerses Gevorkyan). There can be no guarantees that the new revision will prove to be more complete and applicable for longer period of time. The devotion of approximately 70 percent (US$ 16.9 million out of total US$ 23.9
million) of the project budget to this component does not seem a reliable measure for improving system sustainability.

On top of all, this component excludes any probability of further curriculum development and improvement in the course of the following four years. One of the obligations of the Ministry of Education and Science consists in undertaking “no revisions of the curriculum development for grades 1-10 without prior consultation with IDA (“Education Financing and Management Reform Project” 1997:2). Most naturally IDA is not likely to allow any innovations in curriculum that would require republishing of textbooks and would actually mean the waste of the loan spent on the previously published ones. As discussed above, the curriculum to-be-defined will be limited to further introduction of national elements, and not change of the type of material and methodology for teaching. No curriculum development then comes to mean another four years of fact-mastering, instead of problem-solving, and of groupthink instead of individualism.

All the discussions above lead to the conclusion that, in fact, no positive change is likely in any sphere of activity under the condition of absence of proper incentives for the actors. In the same way, any reformations in the sphere of education are doomed to fail if no incentives are created for the two main actors in the sector - teachers and pupils. The reason is that the creation of initiatives for improvements in any aspect of school education necessarily requires active teacher/pupil participation. The more objective evaluation of possible incentive-creating measures is essential here.
This is not to underestimate the effect of proper financial management, physical conditions and textbook availability. It is rather to show that these measures are far not of primary importance in the starting point of reformations. Physical conditions are “not a sufficient condition for lasting improvements in the sector” (“Education for All?”, 1998:76), as they add the convenience of learning, but do not really contribute to the incentives for it. These measures can achieve better attendance rates, but attendance does not necessarily mean learning.

Many studies show that the relationship between test scores and school spending are very weak (“Education for All?”, 1998:76). Moreover, investigations carried out in the US showed that large increases in per-pupil funding have been associated with decreasing average scores in aptitude tests (Ibid., p. 76). No pupil is willing to “waste” time and efforts on education, which gives no opportunities for a better future, even if the education delivery processes in highly convenient and well-equipped classrooms. In the same way, no teacher can be expected to carry out effectively a job that brings only nominal income. “As the quality of education depends on the quality of individuals attracted to teaching” and those adapting the results of teaching (Laporte and Ringold, 1997), the first and foremost aim of the government’s education reform policy should be the creation of incentives for these two actors in the system.

Only in this case it will be possible to introduce qualitative changes in the system. Thus, despite of the many structural reformations in the system, as well as the early stages of the implementation of the Education Financing and Management Reform Project, specialists in the sphere of education report, “the continuously ‘reformed’ education system in fact allows to worry much” (Khrimian and Torossian, 1998:5). The availability
of textbooks brought no change to the situation in schools where not only individual pupils, but often whole classes are absent from classes ("Krtutjun", 1998:1). In contrast to this, the experimental introduction of new teaching methodologies based on teacher-pupil cooperation in some schools of Yerevan (initiated by the Open Society Institute) was reported to have caused significant progress in pupils' achievements. The pupils' became more active and interested in the class-process, they started to show much analytical thinking, even the most passive pupils tend to take the chance to express their ideas, nobody is afraid to “make mistakes” any more (Hakobian, 1998:3).

The creation of incentives for teachers in the form of sufficient salaries and rewards will require substantial financial contributions. Creating incentives for pupils, on the other hand, is much less a matter of money. This task, however, is the most difficult one to be carried out, for it goes far beyond the education system. For learning, it is not enough for the pupil to have access to higher education; he should also have clear proofs of the benefits of higher education. This extends the problem of pupils' incentives to the spheres of general economic and social situation in the country, which is much more difficult to control.

In fact, one of the most common mistakes of the education managers in Armenia is that they tend to draw a clear line between the education sector and the general economic and social conditions in the country, viewing the education system as a separate independent institution. The development of the education sector can go only parallel to the general social and economic development. Thus, the necessity of developing adaptive, analytical and problem-solving skills in pupils is dictated by the current pattern of social and economic development of the country and its transformation to open markets and
political structures. Similarly, a different development pattern might raise completely different educational requirements. Any attempts towards the improvement of the education system independently and beyond the country’s general situation will bring to no tangible changes.
Chapter 2

ANALYSIS OF THE EDUCATION FINANCING AND MANAGEMENT REFORM PROJECT: IMPLEMENTATION OF TEXTBOOK PROVISION AND SCHOOL DECENTRALIZATION IN ARMENIA

Improvement of the quality and sustainability of the general education system of Armenia constitutes only a part of the objectives of the Education Financing and Management Reform Project. Other objectives, the more concrete ones, refer to the improvement of the supply of textbooks and teaching materials and achieving successful school decentralization. Though these components were previously stated to have relatively lower weight for quality improvement of the system, as compared to components like incentives for the two key actors in the sector and teaching methodologies, the discussion of the project would be incomplete without finding out the extent to which it can meet these two objectives. Further analysis of the project lead to the discussion of its relevance in terms of these objectives. Thus, Chapter 2 concentrates on the actual possibility of the project to implement its two concrete objectives by means of the strategies adopted by the project and with the use of the suggested tools. The discussion will proceed in a narrow framework, devoid from the implications of the two components for the improvement of the quality of general education. The two sections of this chapter dwell on each of the components in separately.

As was already mentioned in Chapter I, one of the most common mistakes of education experts is that they often view the education sector as a separate unit. This is incorrect not only in the discussion of the general education system, but also in the analysis of its
two components mentioned. Textbook production and school decentralization, in fact, cannot be viewed in isolation from the general situation in the country. The reason is that both of these components have implications extending to not only the whole education system, but also involving many spheres out of the sector - political, legal, financial, and others. In their turn, various “outside” factors condition the success of the implementation of these objectives.

To illustrate this, the political implications of the textbook component consist in the shift of choice of the textbook authors from the Ministry of Education and Science to the publishing house on contract (“Education Financing and Management Reform Project 1997”). This brings the ideological content of textbooks out of government control. Decentralization of schools further weakens government supervision of education content. Most naturally, the political implications of these changes cannot leave the government unconcerned.

The involvement of the sphere of law by the two components is revealed in the question of the development of a proper legal background for their successful realization. The legal points included in the field should be compatible not only with the educational parts of constitution, but also with other operational laws in the general legal system of the country. The complicated situation in the legal sphere in Armenia, with many contradictory and mutually exclusive operational laws, makes this question especially vital and requiring special attention.

The financial implications of the components show out in a number of aspects. The results of the intended competition among publishing houses (“Education Financing and
Management Reform Project”, 1997:5) will most likely contribute to the establishment of a new cost line for book publishing in general. The actual methods of textbook cost recovery for the reimbursement of the US$ 15 million loan received from IDA, will require governmental contribution (most surprisingly, this is not included in the plan, see Education Financing and Management Reform Project, 1997) to cover the costs of textbooks distributed to the poorer regions and pupils unable to pay - those make up a significant portion of the population. The planned autonomous financial management of schools in the near future may ease the government spending on education and lead to the development of a new expenditure line of the national budget and the Ministry of Education and Science. In case improved resource allocation in autonomous schools results in any salary changes in the system (though this is highly uncertain), this may have further implications for general wages in the education sector and in the country. These and other possible results of financial changes establish a clear connection line with the country’s general economic sphere.

The further analysis of the project provides an additional confirmation of its numerous omissions and weak points. The inconsistency of the project, in fact, derives not only from its incapability to make a sufficient contribution to the improvement of the quality and sustainability of the general education system of Armenia. This project also shows low capability of meeting its concrete objectives as well - to facilitate improvements in textbook provision and to achieve successful decentralization of schools.
Implementation of Textbook Publishing and Provision

From the very beginning of the analysis of the textbook component of the project, a number of problematic questions come forth. They reveal many inconsistencies of the component planning and mismatches between the various parts of the project. The presentation of some of these problems will be based on pure analysis and logical calculations. However, newspaper reports on the first stages and early results of the realization of the textbook component also allow fact-based judgments on a number of problems.

Some of the problems are connected with the specific objectives of this component. Thus, the first specific objective refers to the improvement of textbook quality and the reduction of textbook costs. The latest newspaper reports allow the evaluation of the first part of this objective on facts. The survey of the newspaper reports about the public and professional opinion of the quality of published textbooks (for 1997/98 academic year) shows that this issue has not ceased to be a problem. Teachers and parents in many schools in Armenia express their disappointment with the quality of the new textbooks. Though many of them find the textbook loan system the most appropriate in the present situation in the country, the “quality shock” makes them unsure that this system in the whole will work (Gevorgyan, 1998:2).

In fact, the project experts had very high expectations about the results of the competition among publishing houses. For “winning” the large-scale textbook order from the government of Armenia, the competing publishing houses were expected to assure high quality standards (along with relatively low costs). These expectations are natural and
justified, as competition is universally known to be a powerful tool for facilitating improvements. It is surprising that this did not work in the case of textbook publication for the schools of Armenia. In fact, for a native citizen it may not be that surprising.

This fact, along with the high awareness of the widespread corruption in Armenia, gives rise to certain suspicions about the criteria for choosing the publishing houses to be entrusted with the textbook production. (The “winners” of the competition are three Armenian publishing houses - “Lujs”, “Pjunik-Macmilan”, “Mitk”; and two foreign ones - “Oxford University”, and “Clet International” (“Krtutjun”, 1998:6)). The accounts of the expenditures of the chosen publishing houses on material and paint for textbook production also calls forth uncertainties and requires an extra audit. The cheap quality of textbooks testifies that there may be a significant difference between the recorded and actual expenditures on textbook production materials. Nobody can guarantee that the country officials change their usual “path of work” and make an exception for IDA money.

In fact, the problem of the quality of the newly published textbooks is much more important than it may first seem. The life-term of each textbook is estimated by the project to be four years (“Education Financing and Management Reform Project”, 1997:6). The success of the textbook loan system is, in fact, highly dependent on this fact. It is estimated that each pupil will pay 25 percent of the textbook price, use it for a year and after will return it to the school. This would allow a full recovery of textbook cost in four years (“Education Financing and Management Reform Project”, 1997:7). Still, many specialists have strong doubts that the present quality of the newly published textbooks will allow its use for three further years (“Education Financing and
Management Reform Project”, 1997:7). Some go further and predict their deterioration after the first year (Vardanyan, 1999:11). There is no need to dwell on the multiple financial and sectoral problems that the education system of Armenia and the government will face in the near future in case of a negative outcome (which seems almost unavoidable).

On the other hand, the project also proved unable to meet the second part of the objective - textbook cost decrease. In this question as well, the competition tool did not bring any positive changes, despite the project predictions. The previous cost of textbooks varied among 1000-1200 drams; the cost of the new textbooks presents no difference. The fact that the actual cost of textbooks paid by parents decreased by three-quarters is the advantage of the textbook loan system, and not an actual decrease of textbook costs.

The financial aspect of the textbook component seems rather confusing in general. On the one hand, the Project Costs and Financial Aspects (see Education Financing and Management Reform Project, 1997:4) show that US$ 7.2 million comprises parents’ contributions to the textbook component. This means that the total sum of parental payments for newly published textbooks has been already calculated as a constituent of total textbook expenditures. Moreover, it shows that this sum has been considered a part of the US$ 23.9 million total project cost. The parents’ payments for the new textbooks then are actually spent money; they do not exist in real terms for any future objectives.

The previous statement returns the topic to the issue of the loan reimbursement. It seems widely uncertain where the government will find funds for the reimbursement of the US$ 15 million IDA loan. No concrete sources of funds for loan reimbursement are
mentioned in the project. As the previous discussion shows, there is no possibility of covering a part of the loan with the funds accumulated from parental payments for textbooks. One is left to wonder which are the remaining sources - the national budget, the Armenian Diaspora assistance, the contributions of local “new riches”? Having stated the closing reimbursement date on July 30, 2002, this question becomes particularly pressing. Among all the questions, one thing is certain - the current degree and intensity of the economic development of Armenia does not allow any possibility of the full loan reimbursement from the national budget (this issue was discussed in Chapter 1, Education Financing and Management Reform Project, The recent Economic Development in Armenia).

On the other hand, the textbook component description (“Education Financing and Management Reform Project”, 1997:4) views parental payments for textbooks accumulating in special revolving funds as an important condition for “helping future autonomous school budgets” and allowing them to finance their own textbook orders after four years (the estimated life-time of the newly published textbooks). Newspaper reports show that the public and professional communities have received assurances about the inclusion of these revolving funds in the autonomous school budget. Thus, many of them are sure that “the textbook loan system will allow each school to accumulate sufficient funds in 3-4 years to be able to continue textbook provision independently” (Khachatryan, 1998:3). The qualification of parental contributions as “spent money” means that even if the quality of textbooks allowed the estimated four-years-long life of the textbooks, after this period the schools will be left without sufficient funds for further textbook orders. This is a vital question conditioning in a
sense the success or the failure of the school decentralization. The miscalculation of this issue by the project can serve as the best proof of its irrelevance.

There can be no doubt that some day the distorted idea that funds from parental contributions belong to autonomous school budgets will be broken, most probably with the change of the leadership in the Ministry of Education and Science. Most probably the officials engaged in the project design and management will be “held responsible” for “pocketing public good”. It is a common practice in Armenia - each new government points to the old one as responsible for all failures and manipulations, to push away responsibility from themselves and to redirect public attention from their own current manipulations.

The last case happened recently - the former Minister of Education and Science Ashot Bleyan was arrested and brought to the court for a number of manipulations and misuse of public good on 20 May, 2000 (http://www.asbarez.com/frontpage.htm). Under his patronage in 1993 an overall revision, change and publication of new textbooks was carried out, later rejected and rechanged by the succeeding authorities. “It often happens that every coming Minister has to start from the very beginning, because he does not inherit any sustainable and strongly operational mechanisms from his predecessor” (Khachatryan, 1998:3). The common path of action has repeated itself continuously during the years of transition in Armenia, both in the education sector and in every other sphere of activity.

There are no guarantees that the same will not happen also this time. Moreover, it is much likely to happen, because public disappointment is not limited to the quality of the
new textbooks, but extends to their content as well. Thus, Armine Ohanyan’s newspaper report claims that despite the loud phrases of the Ministry of Education and Science about its awareness of the urgent need to introduce methodological and contextual changes in education, it did not take the chance provided by the new textbook publication. Except for the exclusion of Soviet ideological bias, the content of all the textbooks remains the same as 15-20 years ago (Ohanyan, No. 64 (131):4). Even the language of the textbooks has not been changed, though the problem of its being too complicated for pupils has been raised years ago (Vardanyan, 1999:11).

With the consideration of all these aspects, the rejection of the newly published textbooks by the coming authorities and the development of new ones with a changed content, methodological pattern and language would be rather a progress welcomed by many professionals and parents. Moreover, it is possible that with the change of the content and methodological pattern the implications of the textbook component for the improvement of the quality of the general education system will gain weight and pass to a qualitatively new stage. The reason for uncertainties in this question consists in the motivation that will lead the authorities to action - sectoral improvement or a new line for supplementary income. The motivation, in fact, is the actual “conditioner” for any reform, be this educational or any other.
Implementation of Management Capacity Building and School Decentralization

The initiation of management capacity building for school decentralization and better resource allocation is indeed a major and necessary step for the reformation of the education system. Moreover, in case of success, this could be a powerful tool for improving sustainability in the sector. Still even this step seems a wrong starting point, given the almost entire deterioration of the system on both administrative and school levels. High quality specialists are needed for the implementation of this part of the project. Moreover, once implemented, high quality cadres are needed for activating and controlling it. Unfortunately, Armenia cannot claim to have such specialists at present. Thus, as Nerses Gevorkyan suggests, the start should be management capacity building within the Ministry of Education and Science of Armenia (Interview with Nerses Gevorkyan).

The situation of the education system of Armenia is, in fact, just an extension of the situation in the Ministry of Education and Science: a system deteriorated in result of underfunding, lack of expertise and willingness to work. The nominal salaries of the employees became a source of inefficiencies and corruption. Inefficiencies are further compounded by the application of old Soviet-type structures, working methods and strategies to the tasks of the “new times”. Employees have no clear idea of their rights and responsibilities, which often becomes a reason for interpersonal or interdepartmental disputes. Their qualifications and skills are insufficient for facing the new requirements. There is an obvious lack of cooperation between the Ministry of Education and Science and other ministries, as well as between different departments within it. Continuous and
frequent changes in leadership, bringing in ad hoc and unsustainable “innovations” (to live only till the next “top” comes to position), result in further complications (Interview with Nerses Gevorkyan). It is hardly possible to succeed in management capacity building and operating on school level if the builders themselves are in continuous need of the help of foreign advisers.

The management capacity building is not the aim of the project, but merely a tool for achieving school decentralization. The implementation of school autonomy is of utmost importance for the sector reformation and reflects the needs of the general system. However, the situation in Armenia is far from ripe for it. Most school headmasters and school boards not only do not have a clear understanding of their responsibilities, but also do not know how to manage them (Interview with Nerses Gevorkyan). The training provided to a number of school headmasters and accountants in 1996 (see above in A Review of Policies for Education Reforms in Armenia) cannot be enough for the management of all the schools in the country. The implementation of school decentralization before all the headmasters, accountants and school board members in the country are provided with sufficient training would jeopardize the possibility of any success.

This is not the only omission testifying to the inadequacy of the advanced preparations undertaken by the Ministry of Education and Science for the implementation of this part of the project. The lack or incompleteness of needs analysis have always been the weakest point of the Ministry of Education and Science. Effective and thorough needs analysis is vital for determining the correct targets of the project. Moreover, such analysis should be undertaken not only at the start of the project, but in the process as
well, to be able to evaluate the results of the project implementation and make necessary changes in the course of implementation (Interview with Nerses Gevorkyan).

Needs analyses can lead to the determination of the correct direction and strategies of projects. Still, highly professional and close coordination of the whole system and all the organizations involved in the system work is indispensable for avoiding “repetitions” in reform areas and achieving better “allocation of reformations” among different agencies and organizations. If “Care” takes care of the health care problems at schools, other organization, would better get involved in other problematic aspects pressing the system, and thus make the system improvement more proportional (Interview with Nerses Gevorkyan).

The inadequacies and incompleteness stated above make up only a part of the problems. There are still other omissions on the side of the Ministry, that in conjunction with some problems in the general socio-economic sphere, make school decentralization highly problematic and hard to implement. These refer to the absence of a proper legal framework for successful decentralization of schools, absence of appropriate management mechanisms and the factor of highly spread corruption in the system.

One of the major problems Armenia faces nowadays is the incompleteness of constitution and law. Not only have many problems resulted from this, but also most of the major corruption cases can be accounted for by the inconsistencies between different laws allowing easy manipulation. Inconsistencies exist also between educational law and the “educational components of the national constitutions” (“Educational Choice in Eastern Europe and the Former Soviet Union: A Review Essay”, p. 5, in “Education
Economics”). Thus, one of the most important aspects of school decentralization should be the development of a proper legal field. In the words of Nerses Gevorkyan, the only legal aspects settled till now in this connection concern the norms of the establishment of school boards and revolving accounts at local commercial banks for each autonomous school (Interview with Nerses Gevorkyan). In the conditions of the absence of a proper legal field, school decentralization may rather create a number of new problems, than resolve the existing ones.

With consideration of the financial crisis in the system, the problem of property will most likely be among the most pressing ones. Immediately after granting autonomous status to schools, this question will come forward to introduce confusion in the sector. For example, who in fact owns school property - the state, the region, the Ministry of Education and Science, or the school? Is it an organized crime, “educational privatization”, or rationalization of resources, if the headmaster of the school tries to sell extra parts out of the school building? Legal issues like these are still widely open for debate (“Education Economics”, 1997:5).

There is still another serious problem in connection with improper legal definitions. This refers to the issue of the control and responsibility for education certification. There are no final agreements yet concerning the number and identity of education certification and teacher licensing bodies in the system with autonomous schools. In case this issue goes out of control, a chaotic confusion offering generous opportunities for corrupt acts will be unavoidable. This may further undermine the existing complicated situation in the country (in fact, even now it is possible to purchase diplomas in the open market
("Education Economics", 1997:5), and deepen the public distrust in the validity of education certificates.

In the issue of rights over curriculum decisions, the project appears self-contradicting. On the one hand, the choice of textbook authors passes to the publishing houses (a highly critical approach by itself). On the other hand, the project runs that even after the completion of the decentralization of schools, decisions over curriculum design will be the priority of the Ministry of Education and Science ("Education Financing and Management Reform Project", 1997:7). This question needs a quick clarification. Many specialists stand for the centralized management of curriculum development (Gharibian, 1998:3). Still whatever of these two variants gains priority, the issue will remain open for further discussions.

In democracies, it has long been recognized that public schooling (in terms of the ideological content of curriculum) should be a balance of "equally legitimate interests" of three communities: the state, the professional community and the family. Any disturbance of this balance may cause hegemonic and distorted control over curriculum. If the state holds complete control over it (as was in the Soviet Union), it will most likely lead to ideological oppression and decrease of professional integrity. The unshared authority of professional community over curriculum design, on the other hand, may lead to the ignorance of civil duty issues and put at stake parents’ right of choosing moral principles for their children. The hegemony of the family over curriculum decisions may lead to concentration over ethnocentric and religious interests and non-professional approaches. In order to avoid any ideological extremism and one-sidedness, the question
of curriculum design needs to be revised, a consensus should be reached about the triple control over it ("Education Economics", 1997:5).

The possible results of school decentralization in condition of flourishing corruption in all levels of the system should not be neglected in planning reform projects. There is certainly much economic logic behind decentralization of authority to local leaders. The fact is, however, that this creates new opportunities for administrative officials "to pad their incomes with illicit deals" ("Problems of Post-Communism", 1997:4). The only difference is that with the decentralization of schools, the "privilege" of "supplementary income" will transfer from central management official to local community leaders and school administration.

The inconsistencies of the project already show a clear path for future manipulation. Thus, the project claims that specified criteria has been developed for granting autonomy to schools applying for it. The evidence about these criteria comprises no concrete estimates. All the project allows to know is that the criteria include certain buildings, certain enrollment demand, certain school size and staff ratios, and the existence of an active elected school council ("Education Financing and Management Reform Project", 1997:15). One can easily guess that in condition of the present "working norms" of Armenia, the further details and concrete estimates of these "certain criteria" will be determined ad hoc, on the basis of largely individual "agreements".

Though decentralization is a positive step toward improving the functioning of the general education system, a deeper look into this issue reveals numerous cases of subjectivity in autonomous management (Hovhannissian, 1998:5). Thus, the project
plans to transfer the right of appointing school headmasters and councils to local marzpets (heads of local communities). The mechanisms for autonomous school management and supervision are so weak yet, that if a marzpet wants, an easily manipulated council and headmaster can be appointed, “suitable for the upper circles of governance” (Hovhannissian, 1998:5). Moreover, the incompetences in the operating election law of self-governing bodies lead to a complicated situation where the elected community management bodies may easily come to be governed by small group interests put on top of public and communal interests.

According to the project, with the initiation of school decentralization, departments of the Ministry of Education and Science responsible for centralized management of schools should be dissolved. Schools will receive their budget allocations directly from newly opened bank accounts, and will have the right to use them to their discretion (“Education Financing and Management Reform Project”, 1997:15). On the one hand, this measure is designed to ensure better resource allocation and management fitting the immediate needs of each school. Still, in the light of the above-discussed corrupt atmosphere, this rather opens a new line for school level corruption and manipulation.

In addition to this, the problem of revolving funds needs to be reviewed and solved. Nowadays the schools have no funds for functioning. The design of the autonomous management of schools rested on the assumption that the more efficient allocation of resources and the revolving accounts of the schools (containing the sums of the parental payments for the newly published textbooks) will create enough funds for the successful management of schools. The discussions above show that the question of the revolving funds is highly unclear since there are mismatches in the various parts of the project. On
the other hand, without having the sums accumulated from the parents’ payments for newly published textbooks, it will be hardly possible for the autonomous schools to maintain successful functioning.

Again it comes to the question of whether the situation in Armenia is socially, politically and financially ripe enough for school decentralization. The conclusion is that the general development of the country does not yet allow the implementation of decentralization. It is too risky and almost destined to fail. There are yet numerous problems to be solved (sometimes by non-standard methods) before real school decentralization can be achieved. In contrast, the current realities of Armenia not only allow, but also require, changes in the education content and teaching methodologies to develop qualitatively new skills necessary for market relations and open political systems. Thus, once again, this is what education reforms should concentrate on.
CONCLUSIONS AND RECOMMENDATIONS

As discussed in the two chapters of the project, the government’s policies for education reforms, with a clear tendency towards structural-organizational changes, prove to be ineffective for achieving qualitative changes in the education sector of Armenia. The Education Financing and Management Reform Project, designed with the use of the same policy pattern, is simply one of the failures. In fact, all the reforms implemented by the government (see Chapter 1, A Review of Policies for Education Reforms in Armenia) reflect some of the pressing problems in the sector. The mistake, explaining the government’s failure to achieve qualitative changes in the system, lies in the wrong choice of time period for referring to this or that problem, and the ineffective sequence establishment. There is a need to change the strategic approach to reformations, as well as carry out an evaluation of the current development in the country and the sector in terms of its implications for the planned reforms (Interview with Nerses Gevorkyan). For the success of reforms, however, along with proper strategies and time choice, sufficient cadres are needed that would guarantee effective design and implementation. Thus the reformation of the sector should start from major training programs on every level of activity in the education system (Interview with Nerses Gevorkyan).

- Training of the officials in the Ministry of Education and Science should provide the central management authorities with skills necessary for effective design and management of the education system. This will also serve as the starting point for restructuring the Ministry to fit the new post-Soviet requirements, as well as will contribute to a better allocation of human resources within it.
• Training of local community officials will be an advanced preparation to the future decentralization of schools. Specialists at this level are needed for the supervision of the management of autonomous schools, and for taking up the role of an intermediary between the Ministry and individual schools. In local communities special departments should be created responsible for issues of education management.

• Training of school headmasters and members of school boards is also a necessary preparation for school decentralization. They should be prepared not only for better financial, but also effective legal and pedagogical management of schools.

• Training for curriculum development specialists and textbook authors should presuppose the adoption of education patterns dictated by the requirements of market economy and new political and social realities. They must be prepared to develop not only qualitatively new type of curriculum facilitating analytical skills in pupils, but also new teaching methodologies raising individual initiatives, flexibility and responsibility in them.

• Training for teachers should include the adoption and implementation of new teaching methodologies, and help them to establish a different type of teacher-pupil relationships based on cooperation instead of Soviet-type subordination.

As was already discussed above, the qualitative reformation of the education system would be impossible without creating incentives for the actors in the system, first of all teachers and pupils. The creation of incentives for teachers in the form of sufficient salaries and rewards will require substantial financial contributions. A part of this may come from the controlled redirection of funds accumulated by the rationalization of
school resources to increasing teachers’ pays. The introduction of a differential payment for “professional” and “non-professional” teachers (the criteria for professionalism may go beyond the mere factor of professional education) and the establishment of a system of rewards for professional achievements can also facilitate increase of teachers’ incentives. In addition, if future development of the legal sphere in Armenia succeeded in taking under control the spread of corruption, the prospect of “fair” professional promotion would become a major stimulus for teachers, as well as officials in all levels of the education sector.

Creating incentives for pupils can be realized through two main steps: (i) introducing some equity in access to post-secondary institutions, by narrowing the gap between the educational content of secondary schools and admission requirements of post-secondary institutions to the possible minimum, (ii) establishing direct communication between the higher education institutions and local and foreign organizations, that would aim at directly providing the more successful graduates with comparatively better paid jobs. This may seem to require less expenditures, but it does not reduce the difficulty of its implementation. In this case, with consideration of the corruption and manipulation in the system, close control is required over the criteria for choosing the “the more successful graduates”.

A common mistake of the Ministry of Education and Science of Armenia is that it often views problems of the sector in separation from each other. In fact most of the problems are interconnected and interdependent. Thus, if they can be viewed in conjunction as complex problems, the question arises, why they cannot be viewed in conjunction as aspects for reformations? This would allow the achieve improvements in several
problematic aspects of education with less time and money expenditure (Interview with Nerses Gevorkyan).

To illustrate this, if the government determined budget funding for schools on per pupil bases, the school headmasters would be interested to perform creativity for attracting more pupils to their schools. An assured measure for attracting pupils is raising the quality of teaching and status of the school. Thus, the headmasters could organize extra curricular classes preparing pupils to the admission exams in post-secondary institutions with lower prices than those of private tutoring. These should be carried out by the teaching staff of the same school, with the use of school buildings and equipment. This measure (i) would raise the status of the school and attract many pupils to it (to the interest of headmasters), (ii) would be affordable to many pupils, and would increase equity in access to higher education, serving as a good incentive to make pupils learn, (ii) would provide teachers with a chance to have extra income and serve as an incentive for better work at school classes to raise their reputation and attract more pupils to their extra classes, (iii) would be a significant financial contribution to the budgets of schools (in form of a certain percent from the total income), a factor gaining immense importance particularly after the implementation of school decentralization. In addition, the headmaster’s interest in attracting pupils through raising the school’s “prestige”, could find reflection in the organization of conferences and workshops on different educational topics, for example, on how to manage future career after graduation. Such conferences would enlarge the public information and concern in educational issues.

In fact, the textbook component of the Education Financing and Management Reform Project also allowed an implementation of “complex reformations”, another point,
showing the inconsistency and ineffective design of the project. Thus, since a new set of textbooks was planned to be published, the project designers could take the chance to make a parallel qualitative reformation of curriculum, which would prompt subsequent changes in teaching methodologies. These would require additional time and money expenses, of course, but the overall expenditure would be considerably less, than in case of the separate implementation of each of these reform aspects. In addition, the implementation of the textbook component was a perfect chance for building managerial framework and train local publishers for future textbook publications without the help of foreign consultants (Interview with Nerses Gevorkyan).

As the proposed recommendations show, for the improvement of the education two facts should be taken into consideration: first, the system cannot be progressively changed until the people working in it are changed (in terms of professional skills and ideological beliefs); second, the people in the system will change only in case they see the benefits of change. The inconsistency of the Education Financing and Management Reform Project is mainly due to the omission of these two key points. The failure of the project seems almost inevitable; not only the analysis, but also the reported early results of its implementation testify to this. This means that in the near future, new reform projects will be designed to improve the education system of Armenia. As there is already little, that can be done to prevent the failure of the discussed project, this project should rather serve as a preventive for the projects to-be-designed.
APPENDIX 1

Project Costs and Financial Aspects

A. Project Costs and Financing

The total project costs including contingencies are estimated at US$ 23.9 million. Table 1 presents a summary of the cost estimates by component.

Table 1

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<th>Components</th>
<th>(US$ Million)</th>
<th>% Foreign</th>
<th>% Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local</td>
<td>Foreign</td>
<td>Total</td>
<td>Exchange</td>
</tr>
<tr>
<td>1. Textbook Production and Distribution</td>
<td>12.6</td>
<td>4.3</td>
<td>16.9</td>
</tr>
<tr>
<td>2. Capacity Building for Reform Management</td>
<td>3.7</td>
<td>0.9</td>
<td>4.6</td>
</tr>
<tr>
<td>3. Support for Project Implementation</td>
<td>0.8</td>
<td>0.2</td>
<td>1.0</td>
</tr>
<tr>
<td>Total BASELINE COSTS</td>
<td>17.1</td>
<td>5.4</td>
<td>22.5</td>
</tr>
<tr>
<td>Physical Contingencies</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Price Contingencies</td>
<td>1.1</td>
<td>0.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Total PROJECT COSTS</td>
<td>18.2</td>
<td>5.7</td>
<td>23.9</td>
</tr>
</tbody>
</table>

The credit of US$ 15 million proposed by IDA would finance about 63% of the estimated total project cost. 36% of total project cost will be covered through national contribution - US$ 8.7 million, out of which US$ 0.2 million will be community contributions to the School Improvement Program, US$ 7.2 million will compose parents’ contributions to the Textbook Production and Distribution component, and US$ 1.3 million will come from government contribution. The government contribution

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1All the information is from “Education Financing and Management Reform Project”, No. 16474 AM, World Bank, 1997, pp. 16-23
(which is 5% of total project costs) comprises three elements: and estimated US$ 0.8 million equivalent in cash contributions to the textbook rental scheme; US$ 0.35 million equivalent in kind for distribution of textbooks from regional centers to schools; and US$ 0.15 million equivalent in direct contribution to project costs. The remaining 1% of total project costs will be covered by commitments of other organizations - UNDP and UNICEF will provide US$ 0.2 million for piloting the School Improvement Program; additional US$ 0.62 million has been already contributed in 1997 by five different donors (including UNDP and UNICEF) for piloting textbook production program. Table 2 presents the project funding by organizations.

Table 2

<table>
<thead>
<tr>
<th>IDA</th>
<th>National contribution</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>governmental</td>
<td>community</td>
<td>parental</td>
</tr>
<tr>
<td>Sum (US$ million)</td>
<td>15</td>
<td>1.3</td>
<td>0.2</td>
</tr>
<tr>
<td>% of total</td>
<td>63%</td>
<td>36%</td>
<td>1%</td>
</tr>
</tbody>
</table>

B. Procurement
The project will provide finance for minor civil works for office rehabilitation estimated at US$ 97,000. Goods and services covered by the project will compose a total of US$ 10.5 million. Goods will include computer systems, small equipment and furniture for schools, sundries, teaching materials and textbooks. An aggregate sum of US$ 50,000 will be spent to cover TV and radio time costs for the public information programs.

The major part under the project is the textbook component. The project aims at raising a productive competition among local and foreign publishers (through notices posted in
appropriate international journals) for the procurement of new textbooks, though it is likely that in the case of Armenian language textbooks will be of interest to only publishers from Armenia or foreign publishers in association with local firms. The publisher will have the right to the choice of the authors for textbooks on the bases of competition and will present it to the Ministry of Education and Science for final approval. The proposed procedures will allow a widely open competitive bidding process with domestic and foreign publishers, as well as textbook authors, participating on completely equal basis.

The implementation of all components of the project will require intensive consultant assistance. Such assistance together with studies and training is estimated at US$ 2.6 million of which US$ 1.1 million will cover technical assistance and US$ 1.5 million will finance training. The Ministry of Education and Science is responsible for establishing a consultant selection committee. The information covering the process and results of consultant procurement and presenting a consultant procurement plan for the coming three months will be provided within a special subsection of a quarterly report.

Training includes fellowships abroad for two people meeting the established selection criteria and commitment to return to certain positions. Short-term training abroad and study tours, seminars and workshops in Armenia are also included into the training program. The participation in fellowships and study tours will be open to students satisfying the standards of the selection committee, which will make a review of the candidates to ensure that the choice is relevant to the project objectives and activities. The procurement of fellowships and study tours will be realized from firms, universities and other training institutions and will be based on Quality Based Selection procedures.
Table 3 presents the summary of procurement arrangements.

Table 3

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>Total Cost in US$ million (IDA financing)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Civil Works</td>
<td>0.1 (0.1)</td>
</tr>
<tr>
<td>2. Textbooks</td>
<td>16.5 (8.1)</td>
</tr>
<tr>
<td>3. Computer Systems</td>
<td>0.3 (0.3)</td>
</tr>
<tr>
<td>4. Equipment and Furniture</td>
<td>2.3 (2.0)</td>
</tr>
<tr>
<td>5. Information Campaign</td>
<td>0.1 (0.1)</td>
</tr>
<tr>
<td>6. Technical Assistance</td>
<td>1.2 (1.2)</td>
</tr>
<tr>
<td>7. Training and Study Tours</td>
<td>1.5 (1.5)</td>
</tr>
<tr>
<td>8. Recurrent Costs</td>
<td>0.9 (0.8)</td>
</tr>
<tr>
<td>9. Refund to Project Preparation Facility</td>
<td>1.0 (1.0)</td>
</tr>
<tr>
<td>Total</td>
<td>23.9 (15)</td>
</tr>
</tbody>
</table>

C. Disbursement

The disbursement of the IDA credit of US$ 15 million should be realized over a period of four years with an estimated completion date of May 31, 2002 and a closing date of July 30, 2002. The proper accounting and auditing of the project is under the responsibility of the Borrower. The establishment of appropriate accounting systems and the submission of the audits of the project accounts to the Bank with information on the sources and uses of the provided funds should be realized by the Project Management Unit (organized in the Ministry of Education and Science) on behalf of the Borrower. The Unit will use International Accounting Systems for keeping of the project accounts.
Table 2 presents the categories of the disbursement of the credit and the allocation of loan proceeds.

**Table 4**

<table>
<thead>
<tr>
<th>Expenditure category</th>
<th>US$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Civil works</td>
<td>0.1</td>
</tr>
<tr>
<td>2. Goods and services</td>
<td>2.6</td>
</tr>
<tr>
<td>3. Textbooks</td>
<td>7.1</td>
</tr>
<tr>
<td>4. Training, fellowships, technical assistance</td>
<td>2.5</td>
</tr>
<tr>
<td>5. Incremental recurrent expenditures</td>
<td>0.8</td>
</tr>
<tr>
<td>6. Refund to Project Preparation Facility</td>
<td>0.9</td>
</tr>
<tr>
<td>7. Unallocated</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
</tr>
</tbody>
</table>
Component 1: Improve Textbook Production and Distribution (US$ 16.9 million)

The textbook component comprises a number of specific objectives: (i) to improve the quality of, and reduce the costs of, school textbooks and teacher’s manuals; (ii) to ensure that all pupils have access to required textbooks for the core curriculum; (iii) to establish the basis for a sustainable, demand driven system of financing school textbooks; and (iv) to achieve full cost recovery of textbooks within four years, except for the poorest groups.

With the withdrawal of public funding for textbooks in 1992, the costs were transferred to parents. The high book prices in combination with the lack of availability (a result of the failures in procurement and distribution systems) led to a situation where only 30 percent of students had access to the books they needed. To help the situation, in 1996 the Textbook Working Group of the Ministry of Education and Science developed a comprehensive new strategy for textbook procurement and financing, which was approved and adopted by the government the same year.

The new strategy is based on a number of principles: the introduction of publishers’ competitions for textbook procurement which will automatically increase the quality and
decrease the cost standards for them; the introduction of a payment system of rental fees by parents for book loan which will cost them 4 times less than buying a book and will at the same time lead to a full cost recovery within 4 years (the established life-term of a textbook); the accumulation of these payments in revolving funds in school that will help the autonomous school budget; and the shift over time to a demand-based system where decisions concerning textbook priorities are made on the school level.

For the first four years this strategy needs external financing to enable sufficient funds to be accumulated in revolving funds of schools. With gradual transfer to an autonomous management and demand-based systems, the schools will become completely self-financing. This four-year publishing program for the core curriculum textbooks has been matched to the schedule proposed by the Ministry of Education and Science for the introduction of revised curricula. During the negotiations assurances were received that during the execution of the project the Borrower will ensure that (i) there should be no revisions of the schedule of textbook publishing and curriculum development for grades 1-10 without prior consultation with IDA, and (ii) without an approval by IDA there should be no revisions of the curriculum/syllabi of those subjects for which the textbooks are financed under the project after the bidding process for said textbooks has been initiated by the Borrower.

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2 All the information is taken from “Education Financing and Management Reform Project”, World Bank, Report No. 16474 AM, 1997, pp. 11-16
Component 2: Capacity Building for Reform Management (US$ 4.6 million)

The aim of this component is to establish and support design and implementation of the government’s strategy for education reform. This strategy was prepared by the Ministry of Education and Science of Armenia and was adopted by the government in July 1997. The two most important points of the strategy for implementation are: improving resource allocation through the rationalization of schools and staff; and improving mobilization of resources and school performance by granting legal and financial autonomy to schools. The capacity building under the project will flow through a number of activities:

- providing support for policy development
- providing public information and consultation programs
- establishing management information system
- piloting school rationalization
- providing special training programs for school principals and board members to support school autonomy
- piloting school improvement program

Sub-Component A: Strategy for Finance and Management Reforms

The implementation of this part of the project is the responsibility of the inter-ministerial Working Group on Education Finance and Management. It includes the following components: defining the compulsory core curriculum to be state funded; establishing norms and standards for school and staff rationalization; analyzing the savings standards for school and staff rationalization; analyzing the savings achieved by the rationalization;
defining the per capita funding formula based on the revised norms, with differential
criteria for remote and poor areas and other special needs; developing an appropriate
regulatory framework for school Boards of Trustees and the governance of autonomous
schools; defining through surveys the information and consultation needs of management
and of the general public; developing monitoring and assessment systems on the basis
and in consistency with the new institutional framework and management information
system.

The project will include surveys and focus groups to reveal stakeholder opinion and
ensure full understanding on the reform process. The aim of this is the support
information, consultation and consensus building activities that will facilitate the
development and implementation of rationalization, decentralization and other reforms in
the sector. It is also planned to develop a base of school level data and establish a
computer network that will serve sharing such information between the central organs
(the Ministry of Education and Science) and the regions. This will help monitoring inputs
to support the rationalization process and will at the same time allow improved
monitoring and analysis of school performance and general academic level of pupils.

One of the important elements of the reform strategy is a rationalization program that
will ensure a more efficient and effective use of buildings and staff. For the purpose, it is
needed to establish new norms for staffing ratios, teaching hours and size of classes and
schools. Thus, the more effective allocation of resources is crucial for the future success
of school management reforms, especially after the transmission to autonomous
management.
Sub-Component B: Capacity Building for School Autonomy

The next major element of the government’s reform strategy is increasing the legal and financial autonomy of schools that will facilitate improvements in management efficiency and school performance. Specified criteria has been developed for granting autonomy to schools, which apply for it: these include certain enrollment demand; certain buildings, school size, and staff ratios; and the existence of an active elected school board.

The government will grant autonomous schools per pupil funding on a lump sum basis, weighted according to a poverty index for the school community. Such schools will have the right to organize services and activities outside the core curriculum, and to charge fees for them. They will be also granted the right to raise funds from other sources and to allocate their expenditures as they find fit. The project includes also a substantial training for school directors and board members that will be of help to them in the effective realization of their new responsibilities.

Component 3: Support for Project implementation (US$ 1 million)

The preparation and pilot activities of the project are administered by the Project Preparation Unit established in the Ministry of Education and Science, with funds provided by the Policy and Human resources Development Fund (Japanese Grant Facility) and Project Preparation Facility. The primary responsibilities of the Unit will be: (i) procurement of equipment, materials and technical assistance, (ii) implementation progress evaluation and reporting, and (iii) keeping project accounts and disbursements, and arrange for annual audits.
Project Objectives\textsuperscript{3}

With consideration of the immediate funding limits and institutional constraints, the rationale underlying the project design is that priority should be given to the establishment of the necessary institutional framework for the management of education reform (as well as for future larger scale investment in the sector). Reform projects therefore should target resources for building management capacity at central, regional and school levels that will lead to the improvement of the quality and sustainability of the general education system.

This particular project focuses in particular on capacity building at the school level because a) this is where most of the innovation and dynamism of the recent years have occurred, b) in the present near crisis situation the most rapid short term results can be achieved by focusing on the capacity at this particular level, c) government’s reform strategy will place substantial additional formal responsibilities at the level of the school.

The project focuses on three key areas of the government’s reform strategy - textbook provision, school consolidation and school autonomy. Through this it will try to establish confidence in new institutional roles and decisionmaking processes. In the acknowledgment of five key issues vital for the education reform, this project will

\textsuperscript{3}All the information is taken from “Education Financing and Management Reform Project”, World Bank, Report No. 16474 AM, 1997, pp. 9-10
address only two of them as the most pressing - underfunding and textbooks, and will leave aside physical infrastructure, teacher’s pay and incentives and pedagogical reforms.

The project has adopted a twofold strategic focus:

a) facilitating improvements in the quality of general education through the promotion of school-level initiatives, through the increase in the opportunities and incentives for innovation throughout the system, and through the improvement of the supply of textbooks and teaching materials

b) helping to build the necessary institutional framework for more efficient, equitable and sustainable operation of the basic education system.
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