

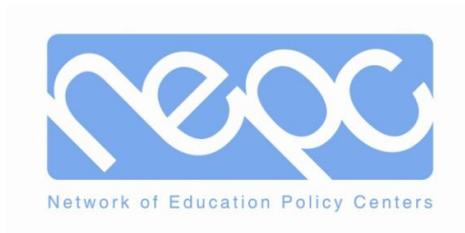


Eastern Europe and Eurasia Regional consultation on:
Education Financing and Privatization in and of Education –
Report

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Introduction

The Privatization in Education Research Initiative (PERI), in partnership with the Network of Education Policy Centers (NEPC), held a two-day meeting in Tbilisi, Georgia in January 2013 to explore the different dimensions of education financing and privatization in Eurasia and Eastern Europe. Meeting participants included academics, researchers, and staff of education-focused NGOs from the region as well as staff of the Open Society Foundations and members of PERI's Steering Committee. The goals of the meeting were to (1) examine the nature, scope and implications of education privatization in the region, (2) identify urgent research areas, and (3) explore ways in which advocacy and activism around the issues of education privatization may be supported. This report summarizes the discussions from the meeting and suggests questions that require further investigation. It is not a thorough situation analysis but rather seeks to contribute to PERI's planning in the region.

The history of privatization in the region and the ways that private funds have flowed to education in the 20 years since the disintegration of the Soviet Union and Eastern Bloc does not align with much of the recent global discourse on privatization. This period has included a transition to different forms of government and more market-based economies in many countries of the region and the influence of violent conflicts in many parts of the region. The diversity of countries in this region which stretches from the Czech Republic to Mongolia in itself makes it challenging to think in regional or unitary terms. However, there was consensus among participants on several departure points for the meeting.

First, given the variety of national contexts, cultures, and economic and political structures, it was not clear whether 'the region' can and should be treated as a single territory. However, there are commonalities across countries as well. The strong shared legacy of socialist/Soviet educational systems has left its mark even after 20 years, which supports thinking about these countries as a single region. In all the countries the early 1990s was characterized by a demonization of the public sphere; government ownership was seen as inefficient and corrupt by citizens and portrayed as such by the international community, which in turn provided significant support for privatization of many sectors of the economy as well as decentralization of public services.

The beginning of the 1990's was the first stage of the privatization movement and was associated with newly won political freedoms that brought a choice of financing models with it. Public perception was that a new model of privatization would increase general wellbeing more than through centralized state budget systems which existed under the socialist governments. And although the doors of privatization in education opened it was not as overt as in other public spheres partly because it was a sector that did not provide quick or certain returns on investments. However, people quickly became disillusioned with the purported benefits of privatization because the mechanisms used to privatize industries, under the supervision of IFIs and Western experts, were implemented to the advantage of

those with political positions or connections. In many cases, privatization amounted to the concentration of state resources in a few hands, the dismantling, leveraging, and pillaging of enterprises employing significant percentages of the population in the towns where they were located, and growing inequality camouflaged as “structural adjustment” or “social dislocation.”

The processes of privatization were impacted by the chaotic nature of seismic political and economic transitions and, in many countries, occurred against a backdrop of near or complete state collapse, often followed by authoritarian regimes. For many citizen observers, privatization quickly became negatively associated with capturing state resources as scandals of questionable privatization in other public spheres began to emerge. However, the demands of nation-building in many parts of the region meant that states were reluctant to give up any control in the education sector. This also corresponded to the general public perception. For example, anecdotal evidence from Russia suggests that 86% of survey respondents believed that education was the most important sector the state should retain overall control of.

Second, much of the language and terminology of privatization has been drawn from international discourse and incorporated into national systems without a proper understanding of how they align. Often they do not fit national contexts – let alone any supposed regional context - nor do alternatives for these words and terms currently exist. As a first step it would therefore be crucial to develop a glossary that sets out terms that best describe privatization in the region. This would help to further link the region to the global discussion. What makes the situation more complex still is that the role of the state and the private sector continue to be obscured through instances of corruption and use of public office for personal profit, as well as nepotism such as when national textbook production is dominated and controlled by powerful families who sit within government. This leads to a de facto privatization within state structures and continues the legacy of capture of state resources from the 1990's.

Third, as state budgets declined and governments were encouraged by the international community to decentralize public services, collection of private funds through NGOs and direct appeals to individuals in the community became significant sources of funding for public services, including education. It is important to distinguish between formal and informal or shadow privatization when discussing privatization in this region. As a result, in this region it is difficult to make a distinction between what is private and what is public; most commonly it takes the form of a complex and confused hybrid.

At the same time as the history of the region is unique, it nonetheless echoes certain global trends with regard to privatization, for example: pressure from external donors in shaping discourse and practice; the use of vouchers; the challenges of governance in education; the use of multiple models of public private partnerships in education; the imagery of quality

being better in private schools and the degree to which aspirations of social mobility are important push factors leading parents to send their children to private schools. Caution must therefore be exercised when making generalizations about education privatization in the region. The following sections lay out key insights from the meeting that draw from the range of participants and their national experiences (the participant list and represented countries is in appendix one).

Privatization in Education

Regarding privatization in education, some countries faced overt privatization through sale of shares in state enterprises (although often through rigged offerings) and others were almost untouched by it. However, all have seen some sort of hybrid of public and private financing as state budgets have been insufficient to maintain the quality and range of educational services offered in the past. Parents have supplemented public education budgets by making informal payments directly to schools or school-based NGOs. They have also responded by topping up teacher salaries and by paying for private tutoring to ensure that their children have access to the entire school curriculum necessary for passing school-leaving and university entrance exams. The history of the region's education provision offers a rather different set of research questions regarding privatization in education from other regions that have participated in PERI in the past.

Key Insights

'Fields' of privatization

While there were questions about what actually is being privatized – certification, buildings, teacher recruitment, and so on – a point of consensus was that "privatization" in the region can be characterized as occurring within two broad fields: either **private institutions**, mostly at the levels of higher education (HE) and early childhood education (ECE) or **private payments** at all levels of education.

In most countries of the region the number of private higher education institutions and universities is high and growing. For example, Albania has five times as many private than public universities, and in Russia there are over 2000 private universities. Often, the fees can be ten times those of attending public institutions and, although most states require accreditation and impose other rules on these institutions in an attempt at governance, the quality of provision and programs is unknown. It is believed that there is no real difference in quality between public and private institutions, and sometimes *public* rather than private institutions – such as Nazarbayev Intellectual Schools in Kazakhstan – are elitist and exclusive.

Public perception of private universities in most cases is negative and, crucially, the labor market does not absorb graduates. Such disaffection with private universities can lead to

family funding strategies where parents calculate that it is less expensive to pay for private tutoring to access a public university than to pay for a private university place. Although getting a diploma is nonetheless considered important, it does not necessarily lead to a job in many countries of the region. For example, in Albania there are several cohorts of jobless private university students. This creates a potential social time-bomb as graduates have high expectations, social standing but limited knowledge and skills and, critically, no work.

For those young people who do find jobs, their place of employment is a telling indicator of education quality. For example, in Albania often public university students go to work in the private sector and private university students go to public sector as the private sector is more demanding for high quality graduates that come out of public universities while the public sector which functions on favoritism absorbs the poorer quality graduates from private universities. The social and economic effects of the poor transition from both private and public higher education to the labor market are not limited to national contexts and cause huge movements of economic migrants across the region, as well as leading to talent flight away from the region.

There is also a flourishing market in early childhood care and education provision throughout the region, especially in urban areas. Places in the state institutions are heavily subsidized by the state in most countries but are limited, so although there are no completely free spaces, those who are in state institutions pay less even when official and unofficial fees are combined. However, due to the limited spaces in those institutions the private market is flourishing. The two main reasons for the flourishing of this market are the needs of working parents and successful advocacy on the importance of good ECCE programs for later success. However, it is unclear whether many of these institutions provide education or only care. Governments pay little attention to accreditation of the programs in these institutions as well as quality of provision and teachers. There is also evidence that suggests that in some countries many private – and some public – nurseries are ethnically selective, responding to concentrations of populations in different localities, which raise concerning questions regarding elitism and/or ethnic capture, which in turn raises questions about the role of education in advancing social cohesion.

Some other forms of private provision exist in small numbers. For example, in some countries there is a small number of faith-based schools. They are often unregistered and completely under the radar of the educational authorities. New forms of private education and company schools are emerging, for example in Albania. The intention of the companies is to produce a qualified work force and fund community-based schools without having to pay, or go through, the government. This has also happened in Romania with private vocational schools. There is a question is whether this thus far successful model can or should be scaled up.

Private payments

Private payments where parents fund directly either schools or teachers are common in the region, occur at all levels of education, and take many forms. Private tutoring has been the most researched but there are also cases of individual parents or groups of parents subsidizing teacher salaries, paying for books and school materials, and even contributing to the cost of electricity and other utilities. In some cases such payments are seen as a moral responsibility on the part of the community – indeed a norm – which again illustrates the contextual specificity of the region with regard to post-Soviet communitarianism and the risk of viewing this complexity as a form of out-and-out “corruption” in education, as has been suggested in other regions of the world.

Private tutoring is a common phenomenon in the region and although there is an increase since the transition, it existed pre-transition as well. It happens on all levels of schooling for both compensation and enrichment. Compensation covers remedial lessons and test preparation as well as portions of the curriculum necessary to advance to the next grade level that are not taught during the formal school day either because of time constraints or teachers’ financial incentives to earn additional income. Enrichment refers to additional education content to insure top grades and give students an extra edge. In addition, some parents also pay for extra-curricular activities, such as music or dance lessons, not provided during the school day. It is especially common in the last years of schooling in preparation for high stakes testing at the transitions from primary to secondary and secondary to tertiary education.

The effects of privatization in education on the systems

The issue of corruption

There are many examples of corrupt practices in the region, although not all stemming from privatization. Nevertheless it is useful to outline them. A distinction should be made between petty corruption and grand theft. Although cases of both can be seen, it should be examined if these are exceptions or the rule. The reasons behind them and effects of privatization on those cases should also be examined.

Social and cultural norms in some cases are grounds for petty corruption, nepotism, and favoritism; as indicated above, this largely stems from post-war communitarianism. It is a social norm to “help your own” (especially if you are in a position of power). This can mean relatives but it can also be based on social, tribal or ethnic hierarchies. There is also a long social tradition of giving gifts to teachers especially in the rural areas.

Although this does not necessarily lead to corrupt practices they often do, especially in employment and placement of teachers as well as in granting better provision to children of those who are in positions of power or able to provide gifts. Although such cases cannot be

seen as grand theft, they do not benefit education systems nor do they generate trust in the public education system. In the attempt to democratize education a governance structures in schools have been introduced in most countries, including PTAs or school boards with parent and private representation. These can be used to collect and channel contributions to the school. PTAs are often supported by or getting funding from international agencies as civic actors across the countries there is a great variety of PTAs some active in privatization, some alumni networks collecting funding but often making choices to benefit a specific group of students.

Participants in the meeting provided several examples of this:

- A clear conflict of interest comes from cases such as in Albania where most private schools are owned by government officials and the Minister of education sends his children to private schools owned by a government official.
- In Azerbaijan there are cases of corruption in selling/buying/renting of public education buildings to private sector companies for non-educational purposes.
- There is a lack of transparency in tendering processes for services and technical assistance in education. For example, in Azerbaijan, when tenders are announced it is never clear who is announcing it (from what funding) and what the selection procedures are. Often these are announced with very short deadlines.
- There are cases of textbook publishers marketing directly to teachers and offering compensation for choosing their book. In Croatia school trips are also often selected on the basis of what the travel agency offers teachers or the school in terms of extra trips.
- There are cases of ministries of education buying educational tools that are not necessarily needed (digital boards and computers) through dubious businesses, presumably either skimming from the top or directly benefitting owners / shareholders who may be their relatives. As a consequence, money is spent on this rather than areas where it is really needed. For example, the Ministry of Education has equipped all elementary schools in Croatia with digital boards and has neither trained teachers to use them nor provided any other support. Mostly they are kept in a locked room so they would not be "broken".
- There are many examples of universities awarding diplomas without all requirements being completed and students paying for passing exams. For example, there were cases in Croatia where a number of professors were arrested for taking bribes for providing exam questions or passing students on the tests.
- Provision of in-service teacher training through competition between public and non-public providers has often led to corrupt practices as well. Even when the intention is to make use of resources in the NGO sector, profit-making companies will open a non-profit branch that then wins these contracts.

- There are examples from Russia where the media has been co-opted by corporations and businesses to market certain education products through news stories. There are also examples of universities bribing journalists to shape stories around exam results that detract from issues of poor quality teaching in those universities.

That said, corrupt and corrosive practices in education in the region would benefit from additional, nuanced research.

The issues of equity and social justice

On this issue there seems to be the most differences among the countries from the region due to very different levels of economic development, the legacy of violent conflict in the 1990's and beyond, and the form of government currently in place. This region includes the authoritarian regimes of Uzbekistan and Belarus as well as members of the European Union. It includes unitary states, federations, presidential government structures, and parliamentary systems. However, there were some common consequences for equity emerge from the trends and examples outlined above.

The issue of equity is most clearly seen in a the fact that a large percentage of students in most countries in the region purchase private tutoring as almost a necessary method for passing high stake exams, automatically leaving those students whose parents cannot afford it in an unequal situation. The meritocracy used for state subsidized places at public universities creates another loop for inequity as the students who have private tutoring score better on exams and thus qualify for scholarship places at universities.

Privatization in the early childhood sector is a result of the space opened for a market as the public preschools were shut down during the economic restructuring of the 1990's. This means that often the disadvantaged children who need it the most do not get free state placements. Only educated and well-connected parents can navigate the system to get those spots, leaving the most needy out of the system as their parents cannot afford private provision. Ethnically selective schools – whether private or public – ask which children are accessing which preschools, begging questions around social cohesion.

The issue of quality

The assumption that education quality will be better delivered by the private sector is often used globally as the justification for privatization policies. Thus, the group engaged in a discussion about whether governments are in the position to provide quality education to all and what the indicators of quality might be. There was agreement that quality assurance indicators and quality monitoring systems are not always clear, accurate or effective because most education systems in the region focus on outputs only and not on the process. In many

post-soviet countries, school quality is often judged on success in Olympiads and the number of students from a particular school who get the top honors.¹ Those schools with greatest success on the Olympiads are perceived to be good schools. In effect this might have very little to do with the quality of educational programs.

For schools, success at Olympiads is an important signal that improves access to additional funding, the image of the school, and easier university admission for students, and therefore, parents also choose them. Although it is a worthwhile public relations endeavor, as a measure of quality the value of Olympiads is less clear. Overall participants of the meeting commented that the quality of public education is low and dropping. However, the indicators that judge this are unclear and the educational authorities themselves have not set up monitoring or evaluation systems. Critically, there is no evidence that private schools offer better quality education than public schools at either general or higher education levels.

In many countries both the pre-service and in-service teacher training is open to the private sector.² There is generally a feeling that state provision of teacher training is poor. In those countries where there is private pre-service provision – for example in Latvia or Russia – teachers from private universities teach mostly in public schools because there are not many private schools. In addition to private universities offering teacher training programs, some have also borrowed some of the practice-based innovations developed in the West. For example, in Latvia they have their own version of Teach First, a school-based program to bring bright young people into disadvantaged schools and train them as teachers on the job, which interferes with pre-service training.

The teacher's story in most counties is a sad one which has worsened with the recent recession as the salaries in most counties that were already low were slashed further. De-professionalization is affecting teachers in this region (less freedom, more accountability). The voice of teachers unions is only heard in demand for salary control and not on the professional side of the story, so there is little voice for teachers in the discourse on privatization or other education reforms.

In-service teacher training in most counties is decentralized and allows non-public provision. For example, in Azerbaijan the World Bank piloted a model of in-service teacher training by private actors. Private schools are realizing this is a profitable market to be paid by government. There is often no licensing or standards. The type and value of the certificate that teachers receive at the end of training is unclear. However, there is uneven experience with privatization of in-service teacher training.

¹ Olympiads are national competition in particular school subjects. Those competitions in many cases are based on rote learning of facts.

² In Central Asia there is no private pre-service training of teachers.

For example, in Georgia there was an attempt to de-monopolize the in-service training system but it failed. In Russia only state providers can issue accredited certificates that count toward promotions and salary raises when teachers are evaluated. At the same time, there is ample room for some types of private providers. For example, the publishing house “September First” in Russia has recast itself as a distance learning resource for teachers that includes access to professional journals, distance courses, and networking opportunities for teachers. They are profitable and have a good reputation.

What drives the demand for privatization in the region?

The reasons behind the demand for private provision are not linear and straightforward in the region. Is it consumerism or the failure of the state to provide quality education?

The structure of most systems in the region is focused on the outputs not on the process; therefore, the quality of provision is judged by success on exit exams or on the success of students from a particular school in Olympiads. This drives the demand for private tutoring because university scholarships are often based on performance on exams. This concept of meritocracy embedded in the education systems of the region is another reason behind the high demand for private tutoring. For example, in Russia 50% of higher education students get state subsidies but this is entirely based on merit measured through exam scores. Parents would rather pay for private tutoring and hope their children qualify for a free state education rather than paying for higher education for four years – the idea of paying now to get free later. Therefore, concentration on outputs and success on exit exams influences both parental choice for private tutoring and the schools’ interest to push children into it.

In that sense there is no difference in the quality of provision between private and public schools although in some cases (e.g. Albania) public schools are still seen as better quality. However private schools cater to the parents needs especially true at ECE i.e. working hours, comfort of children and security. There are also questions of social status, aspirations of upward social mobility, and ability to pay for private schools. The contradiction between labor market demands, social mobility, and the uncertain role of middle class as a social majority might be observed in the discussed countries.

Policy responses and the role of other stakeholders in privatization

There are few clear or unified policy responses to the current situations in different countries; however, the policies from the 1990’s that resulted in the first laws that regulated privatization of education are still in place in most countries and should be examined.

International agencies

The relationship between governments, donors, and other international players is complex. We can collect them into two groups:

1. *Commercial organizations*: overseas campuses of private institutions in the West such as Oxford and Cambridge, Turkish private schools; publishing houses; corporations like Microsoft;
2. Donors or International agencies with missions focused on international assistance and, sometimes, a political agenda — World Bank (WB), Asian Development Bank (ADB), International Monetary Fund (IMF), USAID, DfID, GIZ, the European Commission.

Although meeting participants felt that states are generally quite strong in the region, it is nonetheless clear that the WB and other international agencies play a role in policy making. International agencies are not only giving money but also ideas. Public institutions legalize and legitimize the things that are undermining them. It was the view of the participants that, in general the WB, ADB, and IMF have had a negative impact on education reforms by pushing “one solution fits all” policies and introducing them often hastily and before preparing the education systems or consulting with the public to whom both governments and donors should ultimately be accountable. This can be seen in the introduction of centralized exam systems which contribute to the expansion of private tutoring, and the rapid dismantling of the public preschool system to name just two examples.. Participants also felt that where there was discussion of decentralization of finance to local levels alternative discourses were shut down in favor of the WB model of decentralizing education finance through per capita funding models.

In general it could be said that they are pushing the PPP agenda in the region; however, it is unclear what is private and what is public this agenda seems unclear as well. Donors are supporting educational reforms with some focused on bringing in PPPs to make education work. For example, in Albania the Austrian NGO KulturKontakt is piloting models of private schools in information technology in vocational education for students between 15-19 years of age. This program is seen as a success in terms of student outcomes. Parents are now checking how their children’s outcomes compare to this school.

In Central Asia it is interesting how civil society participates in the process of privatization. For example, in Kazakhstan participants reported that staff of state agencies who would like to make changes found an NGO. This allows them freedom to design innovative programs that would be stifled within their agency and to win grants from international donors and foundations. . In Tajikistan, the Aga Khan Foundation has shifted its approach to redefining its own role. It is a private institution working through public role, becoming an intermediary with local institutions and large donors to secure funding for education and other social services.

Role of the media

Across the region the coverage of education issues in the media is limited. When it comes to privatization in education the situation is no different. There are very few professional journalists working on educational issues and it is difficult to get information. No one is providing the media with reliable information. There is also a lack of information from the government about education reform, which breeds suspicion and gossip about privatization issues.

Role of the Labor market

The role of the labor market on privatization in the region is unclear. Nepotism and the corruption of the labor markets are evident throughout the region, which devalues education. Also, the labor market does not absorb graduates who may remain unemployed or migrate to other countries in search of employment. For example, there are large numbers of labor migrants from Kyrgyzstan and Tajikistan in Russia. In Russia the trend in education is toward a clear division between two groups of students. The first group is oriented to the global labor market and consists of high achievers. The second group consists of low achievers and less motivated learners representing mainly the poor social classes. These students become employed by local employers and stay in the country. Education systems were characterized as unresponsive or too slow to respond to the labor market which offers a possibility for private sector to grow.

Planning of research and advocacy activities

What has been clear from the discussion is that there is a great deal of anecdotal evidence, but there is a great deal about privatization in education throughout the region that has not been properly documented or researched. There is a lack of evidence-base for either policy or advocacy responses to the current situation.

There are a few possible avenues that could be taken in collecting more evidence. The group discussed possibility of having a series of consultative meetings more focused on specific topics that were only touched upon in this meeting. A thorough mapping of the education privatization issues in the region that would include research and literature review, analysis of legal frameworks, and a review of policy responses would be useful.

In order to clarify the confusing and borrowed terminology it would be crucial, prior to further activities, to develop a glossary of terminology on privatization and privatization in education that links this region to the global discussion.

Finally the group discussed possibility of commissioning research on particular topics that could be value added to the discussion. Some examples of these are listed below.

Future research could focus on which donors are penetrating policy-making now and whether they are supporting discourse and practice on privatization.

Areas of specific research that could add significantly to the discussion:

- International agencies' roles in influencing policies on privatization and its implementation
Analysis of media discourse on privatization in education and CSOs role as research and advocacy agencies in public discourse on privatization in education
- of the interaction of privatization, education systems, and corrupt practices
- How privatization impacts or interacts with ethnic tension and social conflict
- The intersection of labor migration, labor markets, social conflict, and education policy.
- Shadow privatization of education, including the role of school boards, parent and community payments to supplement state education budgets, and the pervasiveness of private tutoring.
- Patterns of teacher employment in private and public schools and the effects on teacher professionalism.
- Models of PPPs in practice and what has been privatized in the supply chain: text books, whiteboard, teacher hiring practices, and so on?
- How does choice really play out and what is the difference between assertion and mythology?
- Helpful categorizations of countries' experiences of privatization in and across the region.
- The impact and interaction with privatization of education of alternative in-service teacher training providers set up by OSI and other donors.

Annex 1: List of Participants

Name	Organization	Country
Eldira Gjoni	Swiss Contact	Albania
Elmina Kazimzade	Center for Education Innovation	Azerbaijan
Safaroz Niyazov	University of Toronto	Canada
Lana Jurko	Network of Education Policy Centers	Croatia
Tamar Bregvadze	International Institute for Education Policy, Planning and Management	Georgia
Giorgi Machabeli	International Institute for Education Policy, Planning and Management	Georgia
Mark Bray	University of Hong Kong	Honk Kong
Elena Lenskaya	Moscow School of Social and Economic Sciences	Russia
Keith Lewin	University of Sussex	UK
Susan Robertson	Bristol University	UK
Iveta Silova	Lehigh University	USA
Kate Lapham	Open Society Foundations, ESP	
Ian Macpherson	Open Society Foundations, ESP	
Trine Petersen	Open Society Foundations, ESP	