კვლევა მომზადდა სამოქალაქო ინტეგრაციისა და ეროვნებათშორისი ურთიერთობების ცენტრის მიერ აღმოსავლეთ-დასავლეთის მართვის ინსტიტუტის (EWMI) პროგრამის „საქართველოში საჯარო პოლიტიკის, ადვოკატირებისა და სამოქალაქო საზოგადოების განვითარება“ (G-PAC) ფარგლებში. კვლევის ჩატარება შესაძლებელი გახდა ამერიკელი ხალხის გულისხმიერი მხარდაჭერის შედეგად, ამერიკის შეერთებული შტატების საერთაშორისო განვითარების სააგენტოს (USAID) დაფინანსებით.

The research is implemented by the Centre for Civil Integration and Inter-Ethnic Relations (CCIIR) in the framework of The East-West Management Institute's (EWMI) Policy, Advocacy, and Civil Society Development in Georgia (G-PAC) Program, funded by United States Agency for International Development (USAID). The study is made possible by the generous support of the American people through the USAID.

School Funding System and Equity

Research Report

ISBN: 978-9941-0-6994-9

Tbilisi

2014

Contents

Chapter 1 Introduction

1.1 Schools Voucher Funding System

The proposal of Friedman to introduce vouchers as an effective means "to increase school quality, control public spending on education, and privatize the delivery of schooling" is both strongly supported and criticized (p. 309, Carnoy, 1998). According to Belfield and Levin (2002), current debates about consequences and effects of education vouchers are shaped around the four main criteria of evaluation: freedom to choose, productive efficiency, equity and social cohesion.

Friedman (1993), the first proponent and initiator of education vouchers, places great weight on the criteria of freedom to choose and argues that such a policy enables parents to select schools, which best meet educational expectations for their children. Advocates of vouchers also relate freedom to choose to the criteria of equity and claim that vouchers have even more favorable effects on the poor compared to the wealthier, as it equalizes distribution of education inputs (Carnoy, 1998).

Another criterion, advocates of education vouchers often refer to, is productive efficiency. They argue that governments should subsidize private schools not only because they produce higher outputs, but also because market competition gives incentives to public schools to become more effective. For example, based on policy experiments in the United States, Hoxby (2003) concludes that public schools did improve in response to competition. Opponents of education vouchers question this statement. Ladd (2002) argues that increased efficiency of public schools in the United States, specifically in Florida, resulted from other policies of the government, rather than from voucher programs. In addition to this, Green et al (1996), challenge superiority of private schools and argue that even if students from

private schools demonstrate higher achievements, this accounts for their higher socio-economic status (in Carnoy, 1998). Opponents also raise concerns that vouchers and choice would more undermine support for public schools, rather than create incentives for their improvement (Goldhaber, 1999).

Opponents of the privatization fear that expansion of private suppliers may create threats to social cohesion. On the other hand, advocates believe that provision of common educational experience can be easily achieved with minimal regulations of private sector.

The aim of this research is to study the effectiveness of general education funding system in the context of equity and equal educational opportunities. The issue of equality of educational opportunity can be interpreted in different ways. The literature focuses on four main explanations of equality of educational opportunity. Each of them has its justifications and objections. First understanding is equal distribution of educational resources for each student (Brighouse, 1996). Second, describes equality of educational opportunity based on equal outcomes. The third theme is based on John Rawl's principle of equality of opportunity, which states those who are at the same level of talent and ability, and have the same willingness to use them, should have the same prospects for success regardless of their initial place in the social system"(1971). This principle is interpreted in educational context and applies that those children with same level of ability and willingness to learn should have the same opportunity to succeed regardless their social-economic conditions (Brighouse, 1996). Fourth theme is more linked to the view of egalitarian liberals, which implies the distribution of educational resources based on needs of individuals. This mean that those who have less should receive the more and state should

provide the additional support to children falling in category of more needed. The different interpretation of equal educational opportunities makes difficult the process of effectiveness of funding systems in the context of equal educational opportunities. However, the study of the existing funding system in Georgia enables us to analyze the situation in the context of equality and equal educational opportunities. The study can identify important gaps and challenges of the system. We developed important recommendations for policy change to improve existing problems and react on challenges.

1.2. General Educational System of Georgia

The educational system in Georgia is comprised of preschool, general, and tertiary education, as well as secondary vocational education and training. General education is offered in three levels: primary education (grades 1 to 6); basic education (grades 7 to 9) and secondary education (grades 10 to 12). The current general education system is based on the Law on General Education adopted in April 2005. The Law is the main provision of the principle rights and freedoms of students, their parents, and teachers. According to Georgian legislation every general education school in Georgia is recognized as an independent legal entity of public law. There are 2084 public and 243 private schools in Georgia with approximately 550 000 school students. The government of Georgia is accountable for ensuring the equal right for every individual to receive general education (Tabatadze & Gorgadze 2014).

The public and private schools of Georgia are distributed throughout the Georgia. The sizes of schools differ from each other. It is important to have the clear picture on school size distribution through the regions of Georgia.

The school funding formula includes geographical location as well as schools size in school funding criteria. The Table below represents school distribution in the regions of Georgia based on school sizes:

Table 1: School size distribution by regions of Georgia

Region/ Students	**1-5**	**6-10**	**11-15**	**16-20**	**21-25**	**26-30t**	**31-35**	**36-40**	**41-50**	**51-100**	**101-200**	**201-300**	**301-400**	**401-500**	**501-600**	**601-700**	**701-800**	**801-900**	**901-**		**total**
Abkhazia					1					2	7	5									**15**
Adchara	1	1	3	4	4	8	8	11	13	53	74	25	15	10	9		2	1	3	9	**254**
Guria			2	1	2	2	2	3	7	31	28	10	4	5	2	1		1			**101**
Tbilisi			1	1	3		1	1	5	17	40	37	20	13	25	24	24	18	17	44	**291**
Imereti	2	6	7	9	10	13	14	4	16	80	140	32	22	8	15	3	10	5	4	2	**402**
Kakheti	1	1		1		3	2	3	5	25	60	42	25	8	7	4	1	2	1	1	**192**
Mtskheta-Mtianeti	2	4	3	2	3	3	1	2	7	32	13	7	2	4	1	1	1	1			**89**
Racha-Lechkumi and Kvemo Svaneti	1	9	5	5	8		4	3	8	17	2	3		1							**66**
Samegrelo and Zemo Svaneti	1	1	3	3	4	3	4	9	12	63	95	27	16	4	5	2	3	2	1	3	**261**
Samtskhe-Javakheti		2	5	6	5	6	10	9	14	60	53	21	6	4	1			1	1	1	**205**
Kvemo Kartli	1	2	2	4	5	5	4	6	10	56	65	35	20	20	7	7	4	4	6	5	**268**
Shida Kartli			2	2	1	2	2	3	8	39	39	29	17	9	9	3	1	1	2	1	**170**
Total	**9**	**26**	**33**	**38**	**46**	**45**	**52**	**54**	**105**	**475**	**616**	**273**	**147**	**86**	**81**	**45**	**46**	**36**	**35**	**66**	**2314**

The language of instruction is different in Georgia. We have Georgian, Armenian, Azerbaijani and Russian Schools in Georgia. The non-Georgian schools are mostly located in Tbilisi, Kvemo Kartli, Samtskhe-Javakheti and Kakheti regions. Apart from non-Georgian schools, non-Georgian sectors operate in various Georgian schools. Totally there are 213 non-Georgian schools out of 2084 public schools in Georgia. The language of instruction is important to analyze general education funding system in Georgia. Non-Georgian schools and non-Georgian sectors receive an additional amount to finance the language needs of their students. The distributions of non-Georgian schools by regions of Georgia is as following:

Region	Azerbaijani	Russian	Armenian	Total
Tbilisi	1	2	1	4
Kakheti	4	1		5
Samtskhe-Javakheti		4	96	100
KvemoKartli	80	4	20	104
Total	**85**	**11**	**117**	**213**

Table 2: Non-Georgian Schools by regions of Georgia - 2013: (Ministry of Education and Science, 2013)

Apart from non-Georgian school, there are 77 non-Georgian sectors in Georgian schools. The non-Georgian sectors also are distributed in Tbilisi, Samtskhe-Javakehti, Adjara, Samegrelo-Zemo Svaneti, Kvemo Kartli and Kakheti regions of Georgia. There are Georgian –Armenian, Azerbaijani and Russian sectors in Georgian public schools. The distributions of non-Georgian sectors by regions of Georgia is as following:

Region	**Georgian-Azerbaijani**	**Georgian-Russian**	**Georgian, Russian, Azerbaijani**	**Georgian, Russian, Armenian**	**Georgian-Armenian**	**total**
Adjara		6			1	7
Tbilisi	1	9	1	5		16
Imereti		1				1
Kakheti	6	3			1	10
Samegrelo-Zemo Svaneti		3				3
Samtskhe-Javakheti		1		2	5	8
Kvemo Kartli	21	8	2		1	32
Total	**28**	**31**	**3**	**7**	**8**	**77**

Table 3: Non-Georgian sectors by regions of Georgia - 2013

The territorial and geographical location is important criteria for school funding in Georgia. The public schools are divided as town, village and mountainous schools. The schools distribution by Geographical and territorial location is as following:

Geographical Location	Number of Public Schools	Number of Students	Number of Teachers	Teacher-Students Ration
Village	1021	159826	25560	1/16,3
Town	470	290470	22344	1/113
Mountainous	591	50550	12120	1/14,1
Total:	**2082**	**500846**	**60024**	**1/8.5**

Table 4. Number of Schools, teachers and students by Geographical location

1.3. Financing Education and Science in Georgia

Education is one of the most important fields for Georgia's economic and financial development. At the same time it is one of the largest fields. Total number of workforce in Georgia equals 806 000 persons. According to the statistical department, 155 400 persons, i.e. 19.28 % of the total workforce are employed in the field of education.

Despite a high number of those employed in the field of education, their salary is the least as compared to those working in other sectors. According to 2014 data of the statistical department, the average salary of those employed in the education field amounted to 426, 10 GEL. The table below describes above-mentioned pattern.

I Quarter 2014		
Type of Activity According NACE rev.1.1 system	Number of Employed in thousands	Average salary in Georgian Lari (GEL)
Financial Sector	29.2	1,744.80
Public Service	106	1,190.30
Transportation and Communication	53.5	1,093.20
Construction	41.8	982.2
Electricity, Water and Gas Production and Distribution	22.3	950.6
Mining and quarrying	5.3	879.8
Real estate, renting and business sector	63.3	833.6
Trade; Vehicles, repair of household goods and personal items	105.1	705
Manufacturing	74.8	702.3
Community, social and personal service activities	53.1	673.5
Health care and social assistance	65.5	647.2
Fishing	0.3	526.3
Agriculture. Hunting and Forestry	8.5	495.5
Hotels and restaurants	22.1	485.4
Education	155.4	426.1

Table 5: Salary Distribution by sectors, 2014 /Source: Department of Statistics of Georgia seen in Magazine "Liberali"

This tendency does not apply to the current situation only. For many years, employment and remuneration indicators in the field of education have been the same. The table below provides comparison of the salaries of those employed in the field of education to national average indicator for the years of 2000-2010. The average salary of those employed in education is twice as less as the average salary of the industry employees. Despite declaring education as the priority field, no significant changes and positive trends have been observed in the field.

	Monthly Average Salary in Georgia	**Monthly Average Salary in Education**	**% of Education Average towards general average**
2000	72.6	45.5	62.7
2001	94.6	45.5	48.1
2002	113.5	56.5	49.8
2003	125.9	68.5	54.4
2004	156.6	88.7	56.6
2005	204.2	92.5	45.3
2006	277.9	122.1	43.9
2007	368.1	152.2	41.3
2008	534.9	245.1	45.8
2009	572.5	270.8	47.3
2010	581.8	296.8	51.0

Table 6. The Average Monthly Salary (in GEL) in Education compared to average salary 2000–2010 years, Ioseb Archvadze, 2010

Low remuneration of those employed in education reflects the ratio of the public spending on education (budget of the ministry of education and

science of Georgia) as % of GDP and state budget. Table below lists public spending on education as % of GDP in 2008-2014:

	2008	2009	2010	2011	2012	2013	2014
Total Expenses on Education	458.3	519.4	561.7	552.5	627.3	673.2	754.3
% education share in total budget	6.8	7.2	7.9	7.4.	8.0	7.7	8.3

Table 7. Education Public Spending as Share in of State Budget (billion GEL) (The table is developed based on data of Government of Georgia (2014) and Ioseb Archvadze Educational Data Analysis (2010))

As the table demonstrates, share of spending on education in the state budget ranges from 6,8 % to 8, 3 % in 2008-2014. This indicator is significantly lower to the one of the countries of the European Union. The table below shows share of public spending on education as % state budget in these countries.

Country	% of GDP	% of State Budget
(EU-27)– Average	**5.2**	**11.1**
Belgium	5.9	11.8
Bulgaria	4.2	11.3
Czech Republic	4.7	11.0
Denmark	7.0	13.5
Germany	3.9	8.9
Estonia	6.7	16.8
Ireland	5.3	12.6
Greece	3.1	6.4
Spain	4.6	11.2
France	5.8	11.0
Italy	4.6	9.4
Cyprus	7.8	18.3
Latvia	6.5	16.8
Lithuania	5.8	15.5
Luxembourg	4.4	11.8
Hungary	5.2	10.6
Malta	5.5	12.2
The Netherlands	5.2	11.3
Austria	5.3	10.8
Poland	5.8	13.4
Portugal	6.0	13.0
Romania	4.8	12.8
Slovenia	6.2	14.0
Slovakia	3.3	9.5
Finland	5.9	11.9
Sweden	6.9	13.0
United Kingdom	6.3	13.3
Norway	5.2	13.0
Georgia	**2.4**	**6.8**

Table 8. Public Spending in Education as a Share of GDP and State Budget in EU, Norway and Georgia , 2008

Another important indicator is public spending of education as % of GDP in 2008-2014. These data are presented in detail in the table below.

	2008	2009	2010	2011	2012	2013	2014 planned
GDP	19 074,9	17 986.0	20 743.4	24 344.0	26 167.3	26 824.9	29 000.0
Budget of Ministry of Education and Science	458.3	519.4	561.7	552.5	627.3	673.2	754.3
Public Spending in Education and Science as a Share of GDP	2.4	2.9	2.7	2.2.	2.4	2.5	2.6

Table 9. Public Spending in Education as a Share of GDP of Georgia (BILION GEL.)
Department of Statistics of Georgia 2014

These statistical data reveal that public spending on the field of education and science as share of GDP ranges from 2,2 % to 2,9 %. These indicators fall behind the ones of the countries in European countries, as well as in CIS (Commonwealth of Independent States). This pattern in presented in the tables below.

	2009	2010	2011	2012	2013
Austria	6	5.9	5.8		
Belgium	6.6	6.6	6.5		
Bulgaria	4.6	4.1			
Croatia	4.4	4.3			
Cyprus	7.9	7.3			
Czech republic	4.4	4.2	4.5		
Denmark	8.7				
Estonia	6	5.7	5.2		
England	6.8	6.8	6.8		
France	5.9	5.9	5.7		
Germany	5.1	5.1			
Greece					
Hungary	5.1	4.9	4.7		
Ireland	6.4	6.4	6.2		
Italy	4.7	4.5	4.3		
Latvia	5.6	5	4.9		
Lithuania	5.7	5.4	5.2		
Luxemburg					
Malta	5.4	6.9			
Netherlands	5.9	6	5.9	5.9	
Poland	5.1	5.2			
Portugal	5.8	5.6			
Romania	4.2	3.5	3.1		
Slovakia	4.1	4.2	4.1		
Slovenia	5.7	5.7	5.7		
Spain	5	5			
Sweden	7.3	7			
United Kingdom	5.5	6.2			
Georgia	**3.2**		**2.7**	**2**	

Table 10. Public Spending in Education as a share of GDP in Europe and Georgia 2009-2013 **(**World Bank data retrieved from the web-site: http://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS/countries/1W-AM-AZ-GE-RU-MD-UA?display=default

COUNRTY	2009	2010	2011	2012	2013
Kazakhstan	3.1				
Kyrgyz Republic	6.2	5.8	6.8		
Tajikistan	4.1	4	3.9	4	
Georgia	3.2		2.7	2	
Armenia	3.8	3.2	3.1	3.3	
Azerbaijan	3.2	2.8	2.4		
Ukraine	7.3		6.2		
Moldova	9.5	9.1	8.6	8.4	
Belarus	4.5	5.4	4.8	5.1	

Table 11. Public Spending in Education as a share of GDP in CIS states and Georgia in 2009-2013 **(**World Bank data retrieved from the web-site:) http://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS/countries/1W-AM-AZ-GE-RU-MD-UA?display=default

Analysis of the statistical data points to the importance of increasing public spending on education both as share of state budget and GDP. Increased public spending will automatically result into increased voucher amount and higher salaries of the employed of the education field. These consequences carry critical importance for the development of the field.

It is suggested that along with the public spending on education, dynamics of voucher financing of general education in 2008-2013 is also analyzed in absolute numbers, as well as in relation to the national budget of the education field. Dynamics of the voucher financing in 2008-2014 is given in the table.

	2008	2009	2010	2011	2012	2013	2014
Budget of Ministry of Education and Science	458.3	519.4	561.7	552.5	627.3	673.2	754.3
Budget for Voucher Financing of Schools	315.3	320.2	350.9	392,3	421,602.3	410.0	380.0
Share of General Education Funding	68.8%	61,6%	62,5%	71%	67%	60,9%	50,4%

Table 12: Dynamics of the voucher financing in 2008-2014 is given in the table (In Billion)

As the table shows, voucher financing of general education makes a big share of total public spending on education. It should be also mentioned that the lowest rate of voucher financing of general education as share of total education budget was observed in 2014 and it amounted to 50,4 %. Moreover, in 2014 voucher financing of general education has decreased not only as share of the total education budget, but in absolute numbers as well. In 2013 this indicator was as high as 410 billion GEL, while in 2014 it made only 380 billion Gel; i.e. it decreased with 30 billion Gel in one year.

It is interesting to study the share of public spending on general education in the state budget and in GDP. This indicator is presented in the table for 2008-2014 (information is based on the data of statistical department):

	2008	2009	2010	2011	2012	013	2014 Planned
GDP	19 074,9	17 986.0	20 743.4	24 344.0	26 167.3	26 824.9	29 000.0
State Budget	5,554.7	5,367.2	5,466.5	5,926.8	6,641.5	6,545.6	9080,0

Budget for General Education	315.3	320.2	350.9	392,3	421,602.3	410.0	380.0
Spending on General Education as a Share of GDP	1.6	1.8	1..7	1.6	1.6	1.5	1.3
Spending on General Education as a Share of State Budget	4.7 %	4.4%	4.9%	5.2%	5.4%	4.7%	4.2

Table 13: share of public spending on general education in the state budget and in GDP

Another focus of our study is average per student annual spending on education. The table shows respective data for 2006-2014.

Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Amount (GEL)	420	480	495	510	598	695	755	742	694

Table 14: average per student annual spending on education in Georgia 2006-2014; (The table is developed based on data of Education Management Information System(EMIS) and based on research data of Maglakelidze, Giorgobiani, Shukakidze (2012)

Georgia's indicator average per student spending, similar to other indicators, falls behind that of the majority of the countries of the European Union and former Soviet Union. As the table below shows this indicator is quite high in those countries:

Australia	9200
Austria	11 533,00
Belgium	10 511,00
Canada	8388,00
Chile	2 596, 00
Czech Republic	6338,00
Denmark	10 268,00
Estonia	6 264,00
Finland	10 950, 00
France	8816,00
Germany	7 509, 00
Hungary	4852,00
Iceland	10 100,00
Ireland	10 583, 00
Israel	6 429,00
Italy	9 616
Japan	8 621, 00
Korea	6 307, 00
Luxembourg	19 791, 00
Mexico	1 853, 00
Netherlands	10 608, 00
New Zealand	6 071, 00
Norway	11 860, 00
Poland	4 424, 00
Portugal	6 910, 00
Slovak Republic	3 716, 00
Slovenia	9 287, 00
Spain	9 108, 00
Sweden	9 739, 00
Switzerland	16 737
United Kingdom	9 487
United States	11 551,00
OECD average	8 498, 00

Table 15: average per student annual spending on education in OECD countries (OECD, 2011 Annual expenditure per student by educational institutions for all services, by type of programme, at the secondary level (2008))

The table below shows the average annual spending per students in secondary education in some countries of Commonwealth of Independents State:

CIS States	Amount in USD
Moldova	804,50
Russia	1000+
Armenia	543,40
Georgia	445,00

Table 16: average per student annual spending on education in CIS countries (Source: http://data.uis.unesco.org/index.aspx?queryid=190

Analysis of the education statistics shows the problems in the financing system of education and science, including a vulnerable financing situation in general education. In order to get closer to the international, European and world standards public spending on education should minimum double and increase along with progress in GDP. This is a necessary precondition for launching real and effective reforms in the field of education and offering high-quality education to students. At the same time, before increased financing, all available and limited financial resources should be used wisely and most efficiently;

1.4. School Voucher Funding System in Georgia

In 2005 Georgia introduced an education voucher policy, as part of the broader education reform project. The Law of Georgia on General Education (2005) defines voucher as "financial instrument given to a pupil

by the state, which may be issued in materialized or non-materialized form and is designed for funding general education of a pupil" (Chapter 1, clause 1).

Sawhill and Smith (1999) and Levin (2002) differentiate among three types of voucher programs: "generous", "incentive-based" and "accountability-based" voucher policies (in Belfield & Levin, 2002). Vitterati distinguishes between "universal" and "targeted" voucher system. According to this schema, Georgian education voucher program falls under "generous" or "universal" category for several reasons. First, it mandates universal eligibility. The Law of Georgia on General Education stipulates that "every parent has the right to get a voucher for financing the education of a child who reaches school age" (Chapter III, clause 22). Second, all public and private schools can participate in the voucher program (Chapter III, clause 22). Third, public subsidy level for a private school equals to per pupil expenditure in public school, as well as resources are allocated on per pupil basis (Decree No 182). Fourth, parents can add-on the voucher from their private funds to use for the private schools. Finally, in order to be eligible for public funds, schools are required to meet basic regulations; specifically, they should be granted relevant accreditation by the ministry of education (Chapter III, clause 22).

Introduction of the "universal" type education voucher program demonstrates that government of Georgia places high value on "marketization" of education. (1) Establishment of market values in education can have a positive impact on the overall performance of general education schools. Given the new financing system, according to which "money follows the pupil", all the schools, and particularly public schools, are expected to take more responsibility and efforts to improve quality of

instruction. Moreover, in order to attract more pupils, public schools will establish mechanisms of accountability to pupils, parents and the community in general. Ultimately, competition and accountability, which was missing in Soviet and Post-Soviet system of education of Georgia, will lead to an increased productive efficiency function, as defined by Belfield and Levin (2002). (2) Along with providing free general (elementary, basic and secondary) public education for every child in Georgia, the government took responsibility to address inequities in the access to private education and assure that the quality of education received by the pupil does not depend on the financial capacity of his family; (3) One of the major driving forces of education voucher policy in Georgia is the commitment to the freedom of choice. By specifying that "the state shall protect freedom of educational choice of a pupil and parent", the law on General Education (2005) aims to establish the principles of consumer choice and personal advancement (Chapter I, clause 9). In the words of West (1997), these two principles imply that parents can choose schools "by virtue of their parental authority", and accordingly have higher interest and dedication to the personal advancement of their children (p. 84); (4) Provision of public funds for private education was seen as an effective way for strengthening public-private partnership in education. Presumably believing in the superiority of private education suppliers over public schools, the government of Georgia attempted to create incentives and favorable conditions for the expansion of private market in general education; (5) The optimization of existing resources and transparent budget spending was an important rationale for the introduction of voucher funding system in Georgia. The voucher system enabled Ministry of Education and Science of Georgia to spend money transparently and equally distribute them to public schools. The reform optimized the number of public school and it decreased and administrative

cost for schools was dramatically decreased. The number of public schools was 3154 in 2004 and the number is 2084 in 2013-2014 academic year;

The voucher formula was designed as part of the World Bank-financed Ilia Chavchavadze Project, in 2005, and was implemented starting in January 2006. The funding formula in 2005 did not have any additional criteria. Schools received a voucher based on the number of students. Totally three types vouchers with different amount were introduced. The differentiation in amount of voucher was based on Geographical location of schools: (1) City; (2) Rural; (3) Mountain vouchers. 2005-2006 showed that Georgia had two types of schools: (a) Over funded schools with big number of students; (b) Underfinanced schools with small number of students. There were no important changes were made in funding formula in 2006-2008. Ministry of Education and Science has just increased the amount of each type of voucher. This tendency is presented in the table below:

	2005/06		2006/07		2007/08 since October 2007		2007/08 since December 2007	
Type of Voucher	**Amount (GEL)**	**%**	**Amount (GEL)**	**%**	**Amount (GEL)**	**%**	**Amount (GEL)**	**%**
City	220	100	235	100	250	100	300	100
Rural	330	150	350	149	350	140	420	140
Mountain	396	180	425	181	425	170	510	170

Table 17. Voucher Normative (Amount and Share of City Voucher), 2005-2008 (Source: World Bank, 2011)

The Government of Georgia adopted decree #268 on December 31, 2008. The new decree on per capita funding introduced the new criteria for funding. The new category was number of students in schools. The amount of voucher differed based on number of students in school (with smaller schools receiving bigger per capita amount). The different amount of Voucher was for schools with less than 400 students and more than 400

students in the cities. The amount was different for schools with less than 200 students and more than 200 students in villages; the detailed information about this change in voucher system is presented in the table below:

Geographical location	2008-2009 (City Schools with up to 400 students and Village schools with up to 200 students)		2008-2009 Schools with more than 400 students and Village schools with more than 200 students		2008-2009 (City Schools with up to 400 students and Village schools with up to 200 students)		2008-2009 Schools with more than 400 students and Village schools with more than 200 students	
	Amount in GEL	**%**	**Amount in GEL**	**%**	**Amount in GEL**	**%**	**Amount in GEL**	**%**
City	345	106,2	325	100	415	106,2	380	100
Village	475	146,2	450	138,5	545	146,2	505	138,5
Mountain	565	173.8	565	173,8	635	173.8	635	173,8

Table 18. Funding System in 2008-2009- 2009-2010 Academic Years

In a few years after the initial introduction of the voucher formula it was clear that the formula did not work. The Ministry of Education and Science of Georgia started working on a new funding formula with financial support of United States Agency for International Development. The new decree was issued by the Government of Georgia (GoG) in 2010 (Decree #395 "Estimation of Normative Cost per Student and the Standard Voucher Amount Corresponding to it, for Financing General Education"). The decree

was enforced from January 1, 2011. The Revised formula included the following **six components**:

1. Calculated needs funding was introduced for small schools (1-160 students);
2. The structure of funding was changed. The structure of funding in new system has two components: (a) Vouchers; (b) Base funding;
3. The schools were divided in school categories based on number of students. The amount of vouchers and base funding differs for school based on number of students;
4. Grade coefficient was introduced. The different voucher rate was established for Grades 1-8 and 9-12 in each school size category;
5. Addition coefficient was introduced for minority schools based on their linguistic needs;
6. The funding for schools with special needs was introduced. Funding for such schools is provided based on their calculated needs

The introduction of new per capita funding system draw the following picture of amount distribution for schools for 2011-2012 academic year.

School Size (Number of Students)	Schools		Base Funding	Special Schools
	Amount of Voucher for grades 1-8 (GEL)	Amount of Voucher for grades 9-12 (GEL)		Non-Georgian Schools
Year 2011				
1-160	Base Funding	Base funding		
161-230	430	516	30 000	0.08

231-299	390	468	17 000	0.08
300-449	385	462	14 000	0.08
450-599	370	444	10 000	0.08
600-999	350	420	0	0.08
1000<	330	396	0	0.08
Private Schools	300	300	0	

Table 19. Funding system in 2011-2012 academic year

The second wave of changes in funding formula was introduced in December 29, 2011. The second wave of changes has two important focus: (1) The coefficient for non-Georgian schools was increased (additional 0,12 coefficient); (2) Introduction of multi-campus coefficient to the funding formula. The third wave changes for the funding formula were introduced shortly after. In 2012 the school size for base funding was changed. The schools would qualify for base funding, if they have students from 1 to 169. The largest number of students was 160 before this amendment. After the above-mentioned amendments, Georgia received the following composition of school funding formula for 2012-2013 and 2013-2014 academic years (See the tables below):

School size (number of students)		Schools				Additional basic financing		Schools with required additional financing			
		School size (number of students)		Schools				Non-Georgian schools		Schools with two or more campuses	
Year 2012	Year 2013	Year 2012	Year 2013	Year 2012	Year 2013	Year 2012	Year 2013	Year 2012	Year 2013	Year 2012	Year 2013

1-160	1-169	Calculated Amount								
161-230	170-190	430	405	516	486	30,000	47,000	0.12	0.12	Gr. 1-6 X 0.1; Gr.1-9 X 0.15; Gr. 1-12 X 0.25 (minus 1 campus)
	191-205		400		480		45,000			
231-299	206-225	390	395	468	474	17,000	43,000	0.12	0.12	
300-449	226-530	385	390	462	468	14,000	39,000	0.12	0.12	
450-599	531-735	370	385	444	462	10,000	32,000	0.12	0.12	
600-999	736-1269	350	380	420	456	0	25,000	0.12	0.12	
1000<	1270<	330	375	396	450	0	10,000	0.12	0.12	
Private schools		300	300	300	300	0	0			

# of ethnic minority students X 0.14

Table 20. Funding system in 2012-2013 Academic Year

School size (number of students)	Schools		Additional basic financing	Schools with required additional financing	
	School size (number of students)	Schools		School size (number of students)	
Year 2014	Year 2014	Year 2014	Year 2014	Year 2014	Year 2014
1-169	The sum calculated by the schools				
170-205	420	504	52,000	# of ethnic minority students X 1.13	Gr.1-6 X 0.13, Gr. 1-9 X 0.19, Gr.1-12 X 0.26 (minus 1 campus)
206-299	414	498	49,000		
300-530	411	492	44,000		
531-735	405	486	38,000		
736-1269	396	474	33,000		
1270<	390	468	25,000		
Private schools	300	300	300	300	0	0

Table 21: Funding system in 2013-2014 Academic Year

The chart above shows the existing funding formula of general education Additionally the geographical location component is introduced as part of funding formula. The village schools receive 1.03 % coefficient per students

and mountainous schools receive 1.05% coefficient per students according to the formula.

The latest changes were made in per capita funding system on November 5, 2013. The amendments defined the additional amount for schools with special needs. The following proportion and amount was defined by the Government of Georgia for schools for students with special needs.

a) Additional amount 4200 GEL for schools with 1 to 6 students with special needs;
b) Additional amount 8400 GEL for schools with 7 to 13 students with special needs;
c) Additional amount 12600 GEL for schools with 14 to 23 students with special needs;
d) Additional amount 16 800 GEL for schools more than 23 students with special needs

Chapter 2. Research Methodology

Following the objective, the research was striving to answer the 3 main research questions:

1. Whether the school financing formula is effective and efficient for administration on the school level in order to ensure equal quality education and social justice for everyone?

2. Whether the components of the financial formula are cohered and consecutive enough to address existing needs of the schools and whether these components are well-adjusted to education policy statements about the equal opportunity?

3. Whether the school financing formula is the only and most important part of education policy effecting the education quality and equal opportunity in all schools?

To address these research questions three research methods were utilized including qualitative, quantitative and statistical research methods with relevant instruments.

Desk-research

The following documents has been analyzed within the research: (a) Georgian Law on General Education; (b) Issued orders on amendments in school financing system per capita since 2007 to 2014; (c) General data on schools determining the sum for each school as for number of students and teachers per school, language of instruction, number of campuses, number of those students engaged in the schools within he inclusion program, etc. (d) Review of the documentation on transaction release from the MoES for each focus school in 2012-2014; (e) Review of the financial report packages of

sample schools consisting of school budget and cash-flow for years 2012-2014

Quantitative research/survey of the principals

Out of 2082 schools of Georgia 432 were selected as a focus group. The sampling of the schools was based on the following categories: school code, indicators for selected school, geographical dislocation – (urban, rural and mountainous area). These categories identified the number and character of those 53 groups which include the sample strata. The schools were categorized into 6 groups in accordance with the number of the students not following exactly the system determining the school finance amount. For validity the exact indicators used for stratification include: geographical dislocation (urban, rural and geographical), schools size (grouped into 6 groups in accordance with the number of students) and regional proportions of the schools. The results of the sampling are close to the natural distribution of the schools among the regions. For example the proportional distribution of Georgian and non-Georgian schools in each sample is quite similar to the natural ration of an entire Georgian-non-Georgian schools in the country. Additionally, the proportion of focus schools with one or more campuses in the sample is very close to the natural ration of those schools in the country. In order to ensure the valid number of sampling the additional factors were identified.

School Type	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Rural	312	72.2	72.2	72.2
Semi Urban	24	5.6	5.6	77.8
Urban	94	21.8	21.8	99.5

Missing	2	.5	.5	100.0
Total	432	100.0	100.0	

Table 22: Sample schools distribution by Geographical Location

As the table shows, out of 432 schools 312 (72,2 5 of sampled schools) are located in rural areas, 24 schools (5,6% of sampled schools) are located in semi urban areas and 94 schools (21,8) in urban areas. The results of the sampling are close to the natural distribution of the schools among geographical location.

Another category for school sampling was number of campuses. The funding formula takes into account the number of school campuses. Schools are funded based on number of campuses and the multi-campus coefficient is introduced. Out of 432 sampled schools 135 of them (31.3 %) have multi-campus, while 297 (68.7%) of sampled schools have only one campus. The table below shows the distribution of sampled schools by number of campuses:

School Type	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Multi-campus	135	31.3	31.3	31.3
One Campus	297	68.8	68.8	100.0
Total	432	100.0	100.0	

Table 23: Sampled school distribution by number of campuses

The language of instruction is important to analyze general education funding system in Georgia. Non-Georgian schools and non-Georgian sectors receive an additional amount to finance the language needs of their students. Out of 432 sampled schools 372 are Georgian schools (86,1%) and 44 sampled schools are non-Georgian schools (10,2) and 14 schools are schools with different language sectors (3,2%). Two sampled schools refused to indicate the language of instruction in their schools. The table below shows the distribution of sampled schools by language of instruction.

Language of Instruction	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Georgian	372	86.1	86.1	86.1
Non-Georgian	44	10.2	10.2	96.3
Schools with Language Sectors	14	3.2	3.2	99.5
Missing	2	.5	.5	100.0
Total:	**432**	**100.0**	**100.0**	

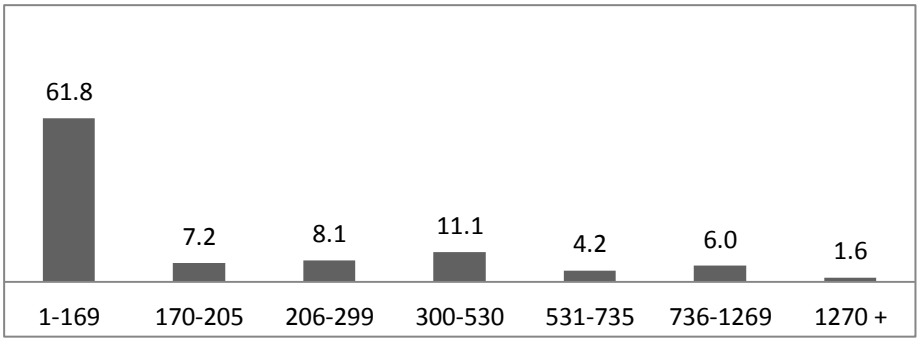

Table 24: Sampled schools distribution by language of instruction

Finally, schools are sampled based on number of students. School size is an important component of funding formula. The schools were divided in school categories based on number of students. The amount of vouchers and base funding differs for school based on number of students. The distribution of sampled schools by number of students was the following: 61,8% of sampled schools have students from 1 to 169. According to funding formula, these schools are funded based on calculated funding and not based on vouchers. 38,2 % of sampled schools have the students more than 169 and are funded through vouchers and base funding. The results of the sampling are close to the natural distribution of the schools by school size and underline the validity of sampling. The chart 2 below shows the distribution of sampled schools by number of students.

Diagram1: distribution of sampled schools by number of students.

The category of small size schools (1-169 students) was divided into three subcategories for the research purposes. The following subcategories were created: (1) School with 1-50; (2) School with 51-100 students; (3) Schools with 101-169 students. The table below shows the sampled schools distribution by number of students.

Number of Students	Percentage	Number
1-50	20.1	87
51-100	21.3	92
101-169	20.4	88
170-205	7.2	31
206-299	8.1	35
300-530	11.1	48
531-735	4.2	18
736-1269	6.0	26
1270 +	1.6	7

Table 25: Sampled schools distribution by school size (Number of Students)

Principals of the targeting schools were surveyed through the questionnaire composed from introduction and 5 chapters. The chapters include information on: (a) financial management and financial reporting skills; (b) description of financing system and its impact on school management process and its quality; (c) The school financing formula in the light of quality in education (d) Professional development of the principal (e) general aspects of school management.

The questionnaire consisted of mixed questions, specifically: (a) (Dichotomous Questions, which were based on closed and open filter or contingency question (ð) Interval questions based on Level of Measurement, Likert response scale, semantic differentia and cumulative or Guttman scale. The administration of per questionnaire took one hour. The Data of the questionnaire were elaborated via SPSS and carefully analyzed.

Qualitative instruments /In-depth interviews and focus group discussions

The qualitative research instruments were used in the framework of the research: (a) Focus Groups Discussions; (b) In-depth in interviews with stakeholders. We will briefly describe used qualitative research instruments:

Focus Group Discussions

Three specific groups for the focus group discussions included (a) parents (3 FGDs); (b) students of basic and upper secondary school (3 FGD); (c) teachers of different grade and subject (3 FGDs); even if it was planned to have a interviews with the representatives of MoES and relevant centers, later the FG was considered as a more appropriate instrument for deriving the necessary information. Consequently one FGD was carried out with participation of the representatives of the MoES.

The FGD with parents and students took place in Zugdidi, Akhalkalaki and Marneuli. The FGD with teachers were carried out in Batumi, Akhaltsikhea and Telavi. The FGD with representatives of the MoES took place in Tbilisi.

The FGD with parents should identify extends in which parents are informed about the school financing system and their attitudes towards the existing system. At the same time the parents were asked their opinion about the schools infrastructure, its correspondence to needs and requirements of their kids. The issues related to the engagement of parents in finance management or decision making on school needs' prioritization as well as their contribution to school development from the financial perspectives was also discussed.

The FGD with students aimed at learning of students' attitudes towards the school environment and infrastructure, about the aspects for learning motivation and demotivation. The students were asked about the teaching

quality and the responses were discussed from the perspective of school financial management effectiveness. At the same time the number of questions was devoted to extra-curricular activities, their character and quality. The students talked about their opinion on general education and education in their schools, their perceived expectations and real situation as well as their involvement in identification of education priorities and allocation of finds in accordance with their priorities. The FGD strived to identify the leverage of the information the students possess on financing of the schools and recent amendments in the financing system and whether these amendments positively or negatively impact their education process or outcomes.

In-Depth Interviews

Six in-depth interviews were conducted in the framework of the research. The in-depth interviews were conducted with representatives of the Ministry of Education and Science of Georgia, specifically:

(1) Interview with the Head of National Curriculum Department of Ministry of Education and Science of Georgia- Natia Jokhadze

(2) Interview with the Head of Economic Department of Ministry of Education and Science of Georgia- David Saginadze;

(3) Interview with the Head Education Management Information System of Ministry of Education and Science of Georgia- Lasha Saginadze

(4) Interview with Head of Education Quality Enhancement Centre of Ministry of Education and Science of Georgia- Elene Jibladze

(5) Interview with the specialist of Marneuli District Education Resource Centre- Yulia Darbaidze;

(6) Interview wich the Head of Ninotsminda Educational Resource Centre- David Zedginidze;

The interview protocol was developed prior the interview. Interviews were conducted based on interview protocols. Some of the interviews were conducted via cell phone instead of face to face.

Research Limitations

Research had some limitations. The questionnaire consisted of the section about the financial information of schools (Revenues, Expenditures; Remnant). It was clear that schools principals did not have sufficient information about their schools' finances. It was decided to check the data provided by schools principals. The official annual balances of schools were used to control the validity of the information provided by the school principals. The official financial information of schools was not always available for research group and it was impossible to validate all financial information provided by schools principals. Financial section of the questionnaire showed interesting trends and patterns; however, as research group was not able to check validity of this information with official financial documents, these tendencies and patterns are not generalized and recommendations are not set in this direction.

Chapter 3. Desk Research Results/Equity and Social Integration

The study revealed important findings and tendencies. The next chapters will overview the desk research results. Research results will be discussed in the context of the following important educational policies: (a) Equity and Social integration; (b) System efficiency and cost effectiveness; (c) Freedom of school choice; (d) Privatization of Education. This chapter will provide information about the research findings on existing problems and challenges of funding system in the context of equity and social integration**.**

3.1 Equity and Social Integration

The research showed that the Ministry of Education and Science made important steps to achieve equity in education and promote the process of social integration of different vulnerable groups; In general, the problem exists not in the funding, but in policy. The Ministry of Education and Science of Georgia mostly provides additional funds for different vulnerable groups; however, this funding is not linked with the educational policy. There are still important gaps and challenges in the system. Particularly:

a) The problems of funding of non-Georgia schools

Government of Georgia provides additional funding for linguistic needs of minority students. Non-Georgian schools receive 1,13 coefficient of standard voucher and non-Georgian sectors receive 1,14 coefficient of schools voucher. The study revealed two important challenges for voucher funding system for non-Georgian schools. (a) The additional amount is not properly used for linguistic needs of minority students and facilitation of teaching of

state language as well as implementation of bilingual educational programs by non-Georgian schools is still an important obstacle; (b) Even though, non-Georgian sectors are funded with higher coefficient voucher, it is not enough to cover expenses of this sectors. The non-Georgian sectors receive coefficient funding only for students of these sectors. The number of students is very low in the sectors and the amount is not enough to cover administrative and teaching expenses of the sector. Schools cover these expenses from vouchers of Georgian sectors. Thus, both sectors are in an unfair position compared to schools with a single language of instruction.

The non-effective usage of additional finances from non-Georgian schools is obvious based on schools exit exams results as well as the results of general skills exam at university entrance exams.

School Graduation Exams

In order to increase the role of schools and improve the quality of teaching in schools, the Ministry of Education and Science established the rule for the final compulsory graduation exams in 2011. The graduation exams will be based on the school curriculum. Tests were conducted in the following subjects: Georgian language and literature, history, geography, physics, chemistry, biology, mathematics, and foreign languages. In addition, the school final exams will be required in order for pupils to receive a diploma, and will serve as proof of minimum competency. Also, students who want to enroll in higher education institutions will take the appropriate test for the Georgian language, foreign language skills, and for subjects with a different type (lecture style) tests, as well as for the remaining subjects' certification-type tests.

Two types of problems were identified in relation to the graduation exams in 2011: (a) a large number of students did not pass the minimum threshold. Out of 4110, only 2,500 pupils passed. So, 1610 pupils did not pass the graduation threshold (39, 17 % of those that took the exam). (b) The exam scores are very low in relation to the subjects. Students from non-Georgian language schools scored higher in Georgian language, compared to other.

Subject	Average Point
Georgian	7.29516
Math	6.217
Biology	6.0885
Chemistry	6.518
History	6.426
Geography	6.8008
Science	6.0313
Foreign Languages	6.5615

Table 26:Non-Georgian Schools Students results in exit exams in 2011

It should be noted that with the threat of 1610 students remaining without diplomas, the Education and Science Minister issued Order No. 453 on July 12, 2011 which states that "a person who did not register for the graduation exams, or was unable to pass due to an inability to acquire the required scores in important subjects, and who wishes to continue his education in the higher education system of a foreign country shall be given a special general education certificate. The recipients of this special certificate will not be able

to attend higher education institutions in Georgia."

The basis of this order was the low passing rate of pupils in non-Georgian language schools in graduation exams, on which the Minister of Education and Sciences remarked: "We will be giving a special series of certificates to those kids who plan on continuing their education abroad, which is only valid abroad. Using the certificate in Georgia to later continue their education here is not allowed. We are helping these children acquire an education. This is especially important for our Armenian and Azerbaijani citizens. Not all countries have graduation exams and certain countries do not recognize the diplomas issued by schools."

The results of the 2012 graduation examinations were also fairly poor for non-Georgian language students and a relatively large portion of them failed to pass. To better illustrate the issue, national results were compared to those of the graduates of non-Georgian schools within the areas and regions that are densely populated by ethnic minority communities.

Subject	Number of graduates	Passed	failed	% of failed graduates
Georgian	**2262**	**1936**	**326**	14.4
Math	2288	1711	577	25.2
Foreign Languages	2328	2101	227	9.7
History	2210	1987	223	10.1
Geography	2222	2039	183	8.2
Biology	2227	1896	331	14.8
Chemistry	2237	1994	243	10.8
Science	2290	1604	686	29.9

Table 27. According to the 2012 graduation examination results by subject, the number of students who failed general graduation examinations from non-Georgian language schools in the regions that are densely populated by ethnic minority communities (Akhalkalaki, Ninotsminda, Rustavi, Dmanisi, and Aspindza)

Subject	Number of graduates	Passed	failed	% of failed graduates
Georgian	**39444**	**38691**	**753**	1.91
Math	39621	38457	1164	2.94
Foreign Languages	39625	38169	1456	3.67
History	38931	38304	627	1.61
Geography	38814	38000	814	2.1
Biology	38766	37727	1039	2.7
Chemistry	38817	38221	596	1.5
Science	38981	37208	1773	4.5

Table 28. The Countrywide Number of Those Pupils who failed the Graduation Exams, by Subject in 2012

From the statistical analysis, the extreme difference between Georgian **and** non-Georgian language school students ***are*** evident. The percentage of

those that failed in non-Georgian language schools by subject varies between ***8.23 %*** and 29.95 ***%.*** The same rate countrywide is between 1.53 ***%*** and ***4.54 %.*** These results once again emphasize the low quality of teaching in non-Georgian schools, also when compared to Georgian schools

There exists ***a*** threat that certain problems will be present ***for*** non-Georgian language school students who ***are*** planning on taking the graduation exams in the fall of ***2013,*** or spring of ***2014.*** These students have been studying with the old curriculum and textbooks. The graduation exam programs for non-Georgian language school pupils should be based on the curriculum of ***non-Georgian language schools***

University Entrants Exams

The problems of general education system at non-Georgian schools are emphasized by the results of university entrance exams. The results of the Entrance Exams ***for 2010-2013*** also emphasize the rather high number of entrants who failed in general skills- 27, 9 of total. The percentage is the less than 10 % for University entrants from Georgian schools. The high rate of failed entrants also emphasizes the problems in the education system See the table below, which shows the number of failed entrants and it's ration to the number of those who passed the test.

Year	Registration	Took the exam	Passed general skills exam	Failed in general skills exam	Percentage of Failed University Entrants
2010	588	491	331	160	32.6
2011	574	517	394	123	23.8
2012	869	803	614	189	23.5
2013	1460	1332	928	404	30.3
Total:	**3491**	**3143**	**2267**	**876**	**27.9**

Table 29. 2010-2013 registration, the overall statistics of passing general skills exam of Armenian and Azerbaijani university entrants

Test results in general skills of Armenian and Azerbaijani entrants and their comparison with the results of the Georgian and Russian-speaking applicants also gives **a** good picture for analysis. Although the tests in general skills are conducted in the entrants' native language, their results are much lower in comparison with the Georgian and Russian-speaking entrants which once again demonstrate the problems with regard to the teaching quality of the general education level. The table below exposed the problems in this regard:

Average point				
Exam	2010	2011	2012	2013
General Skills (Total)	**37.00**	**37.58**	**37.30**	**37.29**
General Skills (Georgian)	**37.15**	**37.75**	**37.52**	**37.64**
General Skills (Russian)	**38.28**	**39.00**	**39.43**	**40.40**
General Skills (Azer.)	**23.85**	**26.88**	**26.68**	**25.02**
General Skills (Arm.)	**25.20**	**26.62**	**26.94**	**28.39**

Table 30: Average Results of University Entrants in 2010-2013 by Language of Exam

(b) Funding the general education of Internally Displaced Students

There is no additional amount or special program for general education of Internally Displaced Students. No additional financing has been provided for education of these children. Integration for these children mostly included social integration and psychological assistance programs in 2008, special psychological trainings were provided to school principals, school administrations, teachers and parents. However, there is no special program implemented by the Ministry of Education and Science of Georgia at the present moment.

(c) Inclusive education and students with special needs

Out of 2084 public schools 245 schools are equipped with the appropriate ramps for wheelchairs for disabled persons (Approximately 12 % of public schools), while in 103 public schools (only 5% of the total number of public

schools) have the adapted bathroom for the students with special needs (Ministry of Education and Science of Georgia). The small number of schools with adopted ramps and bathrooms for students with disabilities does not guarantee equal educational opportunities for all students and the main idea of school choice cannot be applied.

According to the 2014 data, 689 public schools receive an additional amount from the state budget for the 3381 students with disabilities. It is worth mentioning that the different studies showed that the number of students with disabilities is higher, than number of officially presented. (According to these studies, the number of students with disabilities is more than 10 000, UNESCO, 2012). These studies confirm the obvious fact that the problem of official registration of students with disabilities exist in educational system of Georgia. Focus group meetings with parents, school administrators and teachers conducted in the framework of our policy research confirmed this tendency. The research revealed several important problems in this direction:

(a) The parents of students with disabilities do not register them to avoid their kids' stigmatization. This pattern shows that on one hand, the problems of inclusion of students with disabilities in classroom and on the other hand , schools are not able to get additional amount to provide these students with additional services;
(b) The parents indicate the importance of providing schools with necessary infrastructure for integration of students with special needs in the learning process. The parents mentioned that public schools are not able to integrate these students in schools life and they choose the special school in case of their territorial availability
(c) Parents of students have negative attitudes towards students with disabilities. They think, that students with disabilities prevent the

teaching process. Teachers are concentrated to include the students with disabilities in classroom interaction and other students are out of attention of the teachers. The both tendencies underline the fact that even though schools receive an additional amount, they are not prepared for inclusion of students with special needs;

(d) Focus group discussions with teachers revealed important patterns. Teachers mentioned that they are not properly prepared for integration of students with disabilities in classroom interaction. They have mostly two options: (1) Isolate these students from other students; (b) Only concentrate on need of students with disabilities. Both approaches are problematic for them, however, they are not prepared to create proper classroom environment for integration of students with special needs.

The Ministry of Education and Science of Georgia is informed about the above mentioned problems and challenges. MoES implements several programs to solve the problem, specifically: The Ministry of Education and Science of Georgia adopted the program "Program for Inclusive Education" on January 24, 2014. The program funds Tbilisi public school 64,147 and 166. These schools are special schools for students with special needs. These schools are segregated schools and exclusively serve students with specific needs. The program funding is 67 700, 00 GEL (Letter of MoES to CCIIR).

Eight special schools (so called boarding schools) are funded by state budget, based on Decree of Minister od Education and Science of Georgia #109, January 24, 2014 (Tbilisi Public School #200, # 202; #203; #198; Samtredia Public School #15, Chiatura Public School # 12, Akhaltsikhe Public School #7 and Kutaisi Public Schools #45. The additional amount 720 000, 00 GEL

is given to these schools in the framework of special program. (Letter of MoES to CCIIR).

The Ministry of Education and Science conducted professional development programs for special teachers. 211 teachers participated in their program from 2011 till today. Ministry of Education and Science started implementation of the sub program "Integrated Classrooms in Georgian Public Schools" from 2013 (Letter of MoES to CCIIR).

d) School funding for foreigners

The school funding for citizens of foreign states was problematic for Georgia in previous years. This issue was especially crucial for two categories of school students: (a) ethnic minorities of Georgia, who are compactly resided in two regions of Georgia. Some students from ethnic minority compact settlements are not citizens of Georgia,. They are citizens of the country of their origin (historical homeland); however, these children live in Georgia permanently and did not receive the state voucher. b) Children of citizens of Georgia who were born abroad and have foreign citizenship, but actually live in Georgia. This problem is solved at this stage, and the Ministry of Education and Science of Georgia allocates vouchers for foreigners. In 2013-2014, 397 foreign nationals were funded by the Ministry of Education and Science and the total annual amount of funding is 91 985, 89 GEL

e) Financing of socially disadvantaged groups

From the social benefits for marginalized groups there is no special, additional financing for the schools allocated. Noteworthy is the program of the Ministry of Education and Science specifically targeting the socially

unprotected students and providing them with textbooks free of charge. Starting from 2013 this program has been modified and covered all school students regardless of their social background. This program also targets socially disadvantaged students studying in private schools. At the same time the Ministry initiated a new program aiming at the providing transportation services to the students living in remote from the school facilities and in this way ensuring increased accessibility of the schools. As mentioned there is no other special program focused on socially vulnerable students and their needs aren't reflected in financing formula either. The formula doesn't include the component of the students' vulnerability separately and consequently doesn't address social needs of students and schools.

Noteworthy is the positive correlation identifying between the socio-economic conditions and accessibility of general education. Georgia has hard socio-economic conditions generally. The considerable part of the Georgian students and their families live below the poverty line which affects the learning outcomes of those socially disadvantaged students. According to the statistics of 2008, Kvemo Kartli, Adjara, Mtkheta-Mtianeti and Kakhaeti were the poorest regions of Georgia where more than 50% of entire population lives below the poverty line. 40% of entire population suffering from the poverty is allocated in these regions. To compare, Tbilisi, (30.2%), Imereti (31.2%) and Samtkhe-Javakheti has lower poverty index. In 2008 the income per person in Tbilisi, which is the richest site of the country exceeded the income of the poorest individuals 2.5 times. Even though, the largest group of socially vulnerable population (20% of entire population) is allocated in Tbilisi. The unemployment is also very high in Georgia. In 2008 the number of unemployed persons made 297.6 in Georgia.

Level of Poverty

Regions	2005	2008	Changes
1. Khakheti	45,0	50,2	5,2
2. Tbilisi	29,8	30,2	0,4
3. Shida Kartli	40,6	47,2	6,6
4. Kvemo Kartli	66,0	52,5	-13,5
5. Samtkhe-Javakheti	47,1	32,6	-14,5
6. Adjara	48,1	52,5	4,4
7. Guria	34,7	47,8	13,1
8. Samegrelo	41,7	41,1	-0,6
9. Imereti	26,1	31,4	5,3
10. Mtkheta-Tianeti	46,9	52,2	5,3
Total:	39,5	39,9	0,4

Table 31 : The level of Poverty and Distribution by Regions of Georgia, Commission of Ministry of Regional Development (CEGSTAR), 2009

The poverty level distribution by regions of is very much closer to the school drop our rates distribution. The regions with high level of poverty have the high level of school's dropout rates: The chart below presents distribution of the school dropout rates by regions of Georgia.

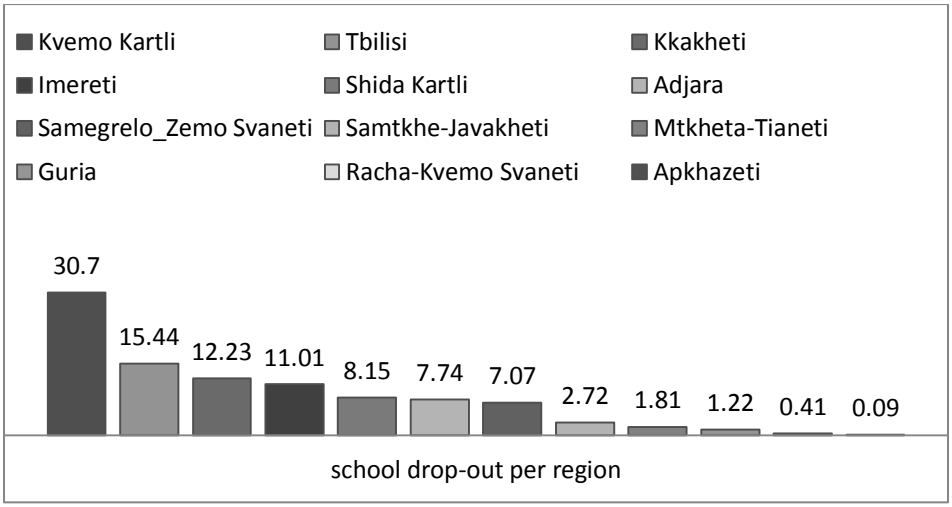

Diagram 2. The distribution of School Drop Out Rates by Regions of Georgia; Ministry of Education and Science of Georgia, 2007 (EMIS)

In this context, it is important to underline the reasons for dropout rates. The statistical data on reasons for dropout rates in 2005-2006 academic years is as following:

Reason	Number of Cases	%
Went Abroad	2817	46%
Went to Work	1388	22%
Marriege	560	9 %
Illness	287	5 %
Death	150	3%
Unknown	853	15%
Total	6055	100 %

Table 32. Reasons for drop out in 2005-2006 academic years (UNICEF, 2013)

The data shows that the main reasons for school drop-outs are migration, socio-economic factors such as going abroad of the family for social-economic reasons, early employment, illness as well as early marriages. Thus addition funding of socially vulnerable students is crucially important for creating equal educational opportunities for all students.

f) Different opportunities in rural and urban settlements

Number of specific problems is identified as the equality of opportunities for students living in in rural and urban settlements are concerned;

The type of income and its allocation is different for schools with different geographical allocation, size of the school. The schools in the city have more and more diverse sources of income. This trend is proofed through other studies as well. The research performed by the UNICEF underlines that the schools allocated in the prestigious district of Tbilisi have a high income which is slightly lower than if it were the financing through the voucher. Referring the same research, out of 29 studied schools 27 have an additional income from the renting of the space and this income makes 3-11% of the total income of those schools. (UNICEF, 2013).

Our research proofs these income discrepancies. The city schools have an opportunity to get income from rent of the property. They can be additionally funded from local government budget. The village schools lack this opportunity of getting additional funding. The research showed that 70 % of surveyed schools in cities have some type of income from renting their properties. While, only 19% of surveyed village and mountain schools indicated about the income from renting their property. This pattern is clearly shown in the table below:

Geographical Location	Number of Schools with Income from Rent	Number of Schools without Income from Rent	Total	%
City	65	29	94	69.15
Village/Mountain	64	272	336	19.05
Total	129	301	430	30

Table 33. The schools with income from leasing agreements by geographical location

It is interesting to analyze data of renting the property by schools in the terms of geographical location. The research data gives an opportunity to distinguish between the regional schools. The regions with big cities have the higher percentage of income from rent compared to the regions without big cities. The percentage of the schools renting the property in regions Imereti (Kutaisi), Achara (Batumi); Kakheti (Telavi), Shida Kartli (Gori); Kvemo Kartli (Rustavi) is high. The table below shows the information about the income of public schools from renting their property in regional setting.

Regions	Number of Schools with Revenues form Rent	Number of Schools without Revenues form Rent	Total	%
Imereti	22	55	77	28.6
Kvemo Kartli	11	40	51	21.6
Shida Kartli	14	14	28	50
Guria	1	14	15	6.67
Adjara	16	35	51	31.4
Kakheti	18	30	48	37.5
Tbilisi	27	4	31	87.1
Mtskheta-Mtianeti	3	11	14	21.4
Racha-Lechkhumi- Kvemo Svaneti	1	17	18	5.56
Samegrelo-Zemo Svaneti	13	41	54	24.1
Samtskhe-Javakheti	3	40	43	6.98
Total:	129	301	430	30

Table 34. The schools with income from leasing by Regions of Georgia.

The research revealed the interesting pattern of getting funding from local governments. Out of surveyed 432 schools only 22 mentioned that they receive funding from local governments. The funding from local government get both city as well as village schools. However, the share of city schools

getting funding from local government is 31-% of total schools (7 city schools out of 22). The share of city schools in the sample was only 21,8 %. This data indicates that city schools get more frequently funding from local governments compared to villages' schools. The difference is not statistical significant; however, it is clear that local government of city municipalities can afford to fund schools. They have more financial capacity compared to village local self-governmental bodies.

Geographical location is an important for getting better educational services. Local and international research revealed that better educational services are provided in cities. The research conducted in 2010-2011 in Georgia is interesting in this context, which examined associations between rurality of higher education (HE) applicants' residential origin, their priority choices of higher education institutions(HEIs), and university destinations in Georgia (Chankseliani, 2012). The research aimed to find the correlation between geographical location (rurality) and choice of higher education program and the possibility of enrollment in prestigious higher education programs of Georgia. (Chankseliani, 2012) By applying mixed-methods to the study of the quantitative data on approximately 118,000 applicants, a purposive sample of households and policy-makers, the research revealed academic higher education access inequities in Georgian settings. The findings of this research indicated that applicants who graduate from rural schools tend to apply and gain access to relatively less prestigious, i.e. less rigorous, HEIs than those applicants who graduated (Chankseliani, 2012)

The research has been revealed that HE applicants who have not graduated from a secondary school in the capital tend to consistently name the least and the second least prestigious HEIs as their first choice most frequently. . . " Multinomial logistic regression analysis of HE applicant first- choice HEIs,

their general aptitude and residential origin showed that of two applicants with the same measured general aptitude, an applicant from a mountainous village is approximately 12 times more likely to apply to a least rather than a most prestigious HEI than an applicant from the capital. . . Large differences were observed in applicant chances to enter prestigious HEIs by their residential origin. When controlling for prestige of first-choice HEIs, applicant measured aptitude and an array of other variables, those from rural locations tend to have significantly lower odds of gaining admission to more prestigious HEIs." …applicants from mountainous villages are almost 8 times more likely to gain access to a least rather than the most prestigious HEI than applicants from the capital. Applicants from villages are about 7 times more likely to end up at a least prestigious rather than one of the most prestigious HEIs, compared to applicants from Tbilisi" Chankseliani, 2012)..

The difference in academic achievements of city and village schools students is shown by international educational assessments (PIRLS, PISA, TIMSS). The city school students perform better compared to their counterparts from the villages in reading, math and science.

Geographical location is an important for getting better educational services.. It is crucially important to fill this gap; however, increase of funding of village and mountainous schools can't be a real solution. Structural and institutional reforms are needed to achieve the desired objective.

To sum the chapter, the funding system reacts on the needs of ethnic minority students, students with special needs. The funding formula allocates additional coefficient for small schools, village and mountainous schools and non-Georgian schools; however, the allocation of additional amount does not provide equal educational opportunities for all students. The main problem is a gap between an educational policy and funding. The state funds non-

Georgian schools, mountainous schools, village schools, small size schools without changes and improvements in quality of education and instruction in these schools. The absence of linkage between the funding and educational reform is the main challenge of educational system of Georgia. Structural, institutional and instructional reforms are needed to fill the gap between the academic achievements of students and create equal educational opportunities. The additional coefficient can be granted the schools for implementation of institutional and instructional educational reforms.

Chapter 4. Desk Research Results/ Efficiency and competitiveness / Optimization of Management and Costs

The effectiveness of school funding system was studied in the context of efficiency and competitiveness and cost effective management of scare financial resources. The research revealed that current system of general education financing does not allow for the optimization of costs, school competitiveness and efficient management of the system. With regard to the existing voucher funding system, the current patterns can be observed:

1264 schools out of 2084 are not financed by the voucher funding system. Instead they are recipients of specially calculated lump sums, which carry the signs of going back to the old system of education financing. The chart below shows the distribution of schools by existing funding normative of general education

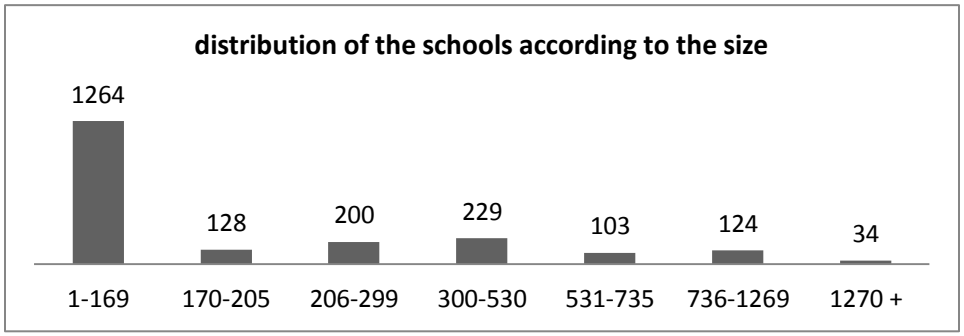

Diagram 3. Distribution of schools by size

Thus, approximately 61 % of public schools do not receive voucher funding and instead are financed based on their real needs.

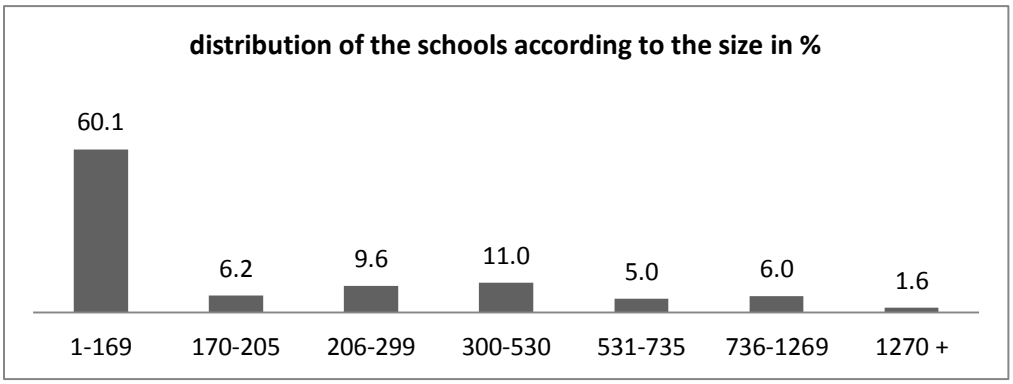

Diagram 4. Distribution of schools by size in percentage

Analysis of the distribution of students by size of schools leads the lack of the flexibility of the system. Specifically, 60, 17 % of all the students are distributed in 19 % of schools in the country. The chart below describes these patterns.

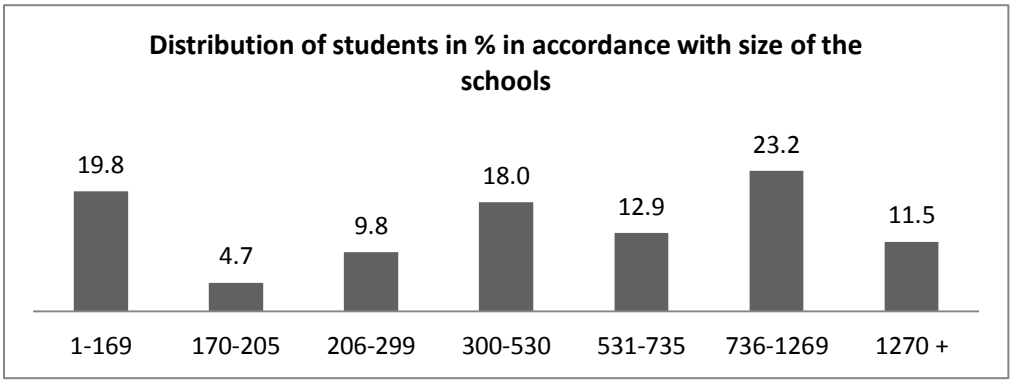

Diagram 5. Distribution of students in percentage by school size

Another interesting finding relates to the distribution of teachers at schools. Schools entitled to lump sum calculation instead of voucher funding (60, 17 % of all the schools) employ 42 % of all the teachers across the country and they teach 19 % of all the students.

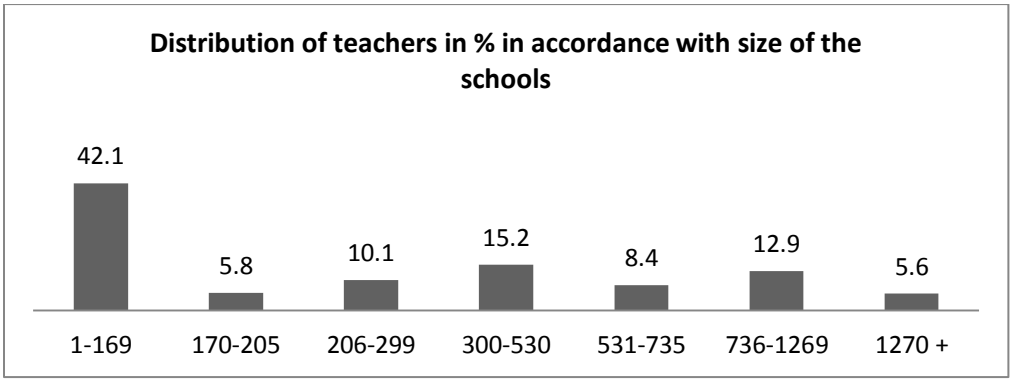

Diagram 6. Distribution of teachers in percentage by school size

Another interesting finding is related to the distribution of funding by the size of schools. The share of total funding on these schools makes 41, 1 %. Thus more than 40 % of the education funds are distributed beyond the per capita voucher-funding system. The chart below gives detailed descriptions:

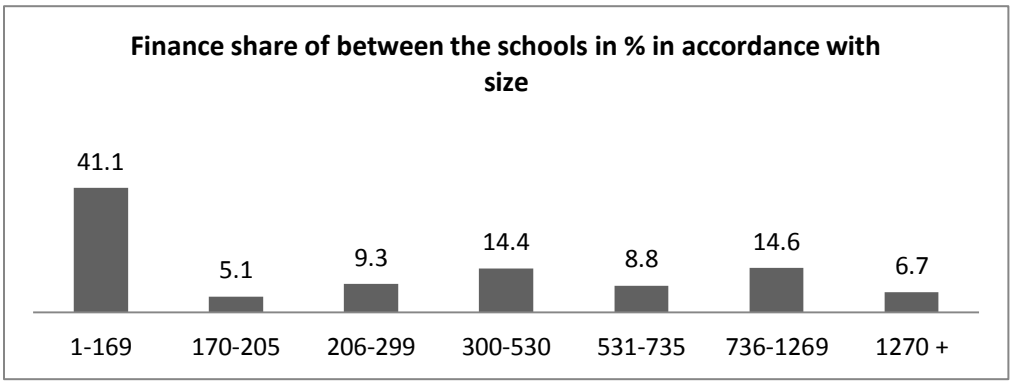

Diagram 7. Share of funding by school size in % against of whole school voucher funding

Unfair and vague distribution of funds among the schools serving 1-169 students cause concerns and some doubts among schools. In general, there is a significant difference of funds allocated to the schools of the same size. Quite often among the two schools with the same number of students, one receives three or four as much funding as another. Moreover, such difference in the funding is not based on any objective and logical criteria. The chart below clearly shows these criteria. The issue is common to all the categories

by school size starting from schools with 6-10 students through those with 150-169.

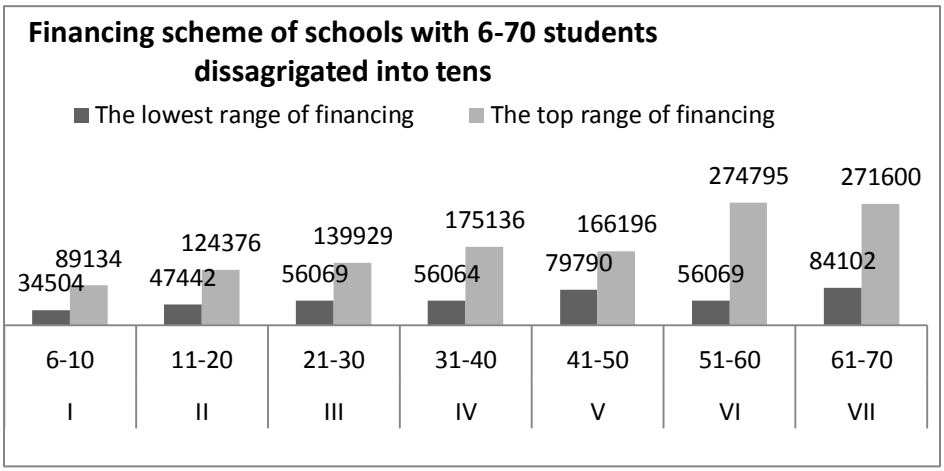

Diagram 8. The disparities of funding of schools with almost same school size (School size: 6-10; 11-20;21-30;31-40;41-50;51-60; 61-70)

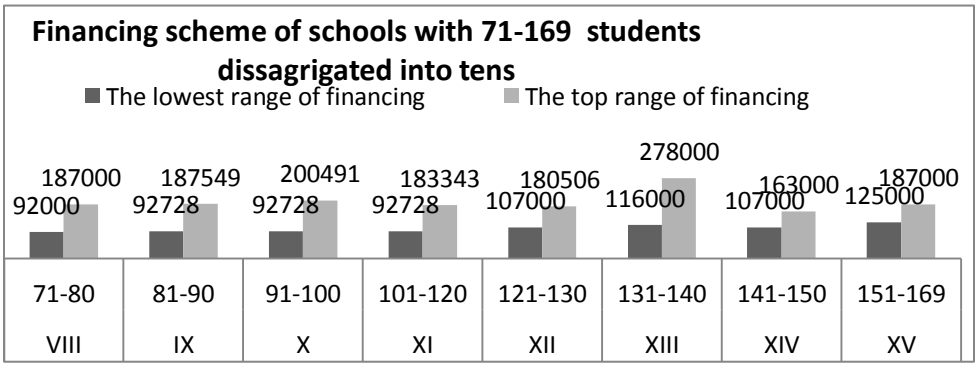

Diagram 9. The disparities of funding of schools with almost same school size (School size: 71-80; 81-90; 91-100; 101-110; 111-120; 121-130; 131-140; 141-150; 151-169)

These charts demonstrate existing disproportions at schools. At the same time, the chart is organized by the number of students, where school curriculum is the same, and neither the additional funds are allocated for students with special needs. Nor can the territorial difference explain difference in funding – one can see schools in mountainous region with less

funding than one in urban areas. The only reason left to explain difference of funding among the schools of the same size: (a) language of instruction; and (b) number of school buildings. However, these two components cannot explain for such a big difference in funding.

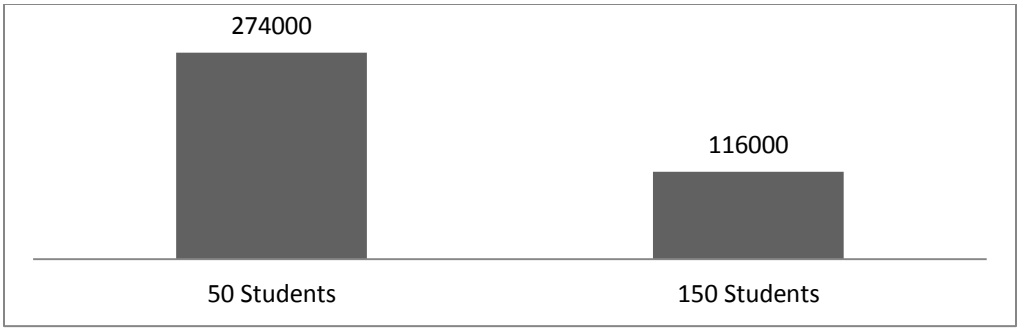

Diagram 10. The disparities between school with 50 students and school with 150 students

Lack of the efficiency of the existing funding system is illustrated by looking at the teacher-student ratio as well. This ratio is shown in the table below:

Schools	Total number of schools	Total number of students (main data)	Total number of teachers	Ratio of teachers and students
1-169	1264	99165	25313	1/3,9
170-205	128	23365	3472	1/6,7
206-299	200	49226	6063	1/8,1
300-530	229	90106	9118	1/10,0
531-735	103	64741	5034	1/13,0
736-1269	124	116355	6810	1/17,08
1270 and up	34	57588	3342	1/17,23
Total	**2082**	**500546**	**59152**	**1/8,5**

Table 35. Teachers-Student ratio and school size

As the chart shows, there are three different types of teacher-student ratio: (a) very low ratio when number of teachers and students are almost the same; In schools with 1-169 students teacher student ratio is 1/3,9. As motioned such schools make 61 % of all the schools; (b) High teacher-student ratio which is mainly common to schools with 736-1269 students and more than 1270 students. These schools make 7, 59 % of all schools. However 34.7 % of all students attend these schools; (c) Balanced ratio at schools with 300-735 students. These schools make 15,95 % and have 30,9 % of all students in Georgia.

We have found that per student financing significantly varies by the school size. The table below shows per student financing annually by school size.

Number of Student in schools	Average Spending per Student	Number of Students getting this funding
1—10	7452,75	221
11—20	5305,95	1137
21—30	3775,20	2,314.0
31-40	3066,35	3316
41-50	2,494.5	5,052.0
51-60	2171,93	5,657.0
61-70	1,967.4	5,175.0
71-80	1665,44	7,489.0
81-90	1554,00	6398
91-100	1414.05	6384
101-110	1,294.3	11,840.0
111-120	1160.22	8079
121-130	1080,00	8729
131-140	1007,45	6925
141-150	973,17	7,172.0
151-169	867	13277
170-205	798.0	23,665.0
206-299	702.8	49,226.0
300-530	593.3	90,106.0
531-735	504.0	64,741.0
736-1269	467.2	116,355.0
1270 <	432.0	57,588.0

Table 36 : The annual average spending per student by school size

The table clearly shows that lack of the system results into wide range of per student financing. In some schools per student financing annually amounts to 7 452, 75 GEL, while there are small schools were this indicator is no more than 432 GEL. It should me mentioned that amount of the financing does not affect quality of education at all. The government spends quite solid funds on the students of small size schools. However, impact and efficiency of this

spending is very little. On the other hand, the government spends low amount on relatively large number of students - ranging from 432 to 593 GEL. This spending is absolutely insufficient for providing quality education to the students.

It is interesting to analyze the funding system by geographical location. The students in mountains receive average 1517,20 GEL annually, while village students funding equals 928, 50 GEL. The students in city schools get 504,15 GEL average funding annually. The chapter 3 of this research report has already discussed the problems of equity and equal educational opportunities of students from cities and villages. Even though, the state funds with huge amount the students in villages and mountainous schools, schools are not able to provide with quality of education to their students. This fact underlines the importance of reforming of the whole system of mountainous schools. The increase in funding can't be an option without structural and instructional reforms of small schools in villages and mountains of Georgia. The table below shows per student financing annually by geographical location.

Geographical Location	Average Spending per Student	Number of Students getting this funding
Mountain	1517,20	50550
Village	928.5	159826
City	504,15	290470

Table 37. The annual average spending per student by Geographical Location

The table below gives a clear picture on the regional difference of per student financing annually. The least spending goes to Tbilisi students and

amounts to 476.7 GEL. Among the regions, per student financing is highest in the regions of Racha-Lechkhumi and Kvemo Svaneti, Samtskhe-Javakheti and Mtskheta-Mtianeti

Region	**Average Spending per Student**	**Number of Students getting this funding**
Tbilisi	**476,7**	**142992**
Abkhazia	873,3	2267
Samegrelo / Zemo Svaneti	871.8	41,450.00
Adjara	843,6	47079
Guria	987,7	13,981.00
Imereti	813,30	70,740.0
Kakheti	735,10	42,739.0
Mtskheta- Mtianeti	**1017,9**	**11,331.0**
Racha-Lechkhumi / Kvemo Svaneti	**2038,10**	**3553**
Samtskhe-Javakheti	**1172,50**	**25 176**
Kvemo Kartli	750,40	63,115.0
Shida Kartli	738,60	36323

Table 38. The annual average spending per student by regions of Georgia

In addition to general patterns and issues, cases of specific schools were also explored as part of the study. These cases reveal problems of financial management in the education system. These cases call for the need of

addressing inefficient spending in general education. 1-169 rate of spending lacks transparency and efficiency. We anticipate such cases are not the only cases and are typical to other schools as well. Below are cases we explored:

(1) Spending on Vale schools # 3 and 4 are quite high. Vale Public School # 3 is Armenian, while school #4 has both Georgian and Armenian sectors. In addition to these schools, there are two more mores schools in Vale: Georgian schools # 1 and # 2. The government annually spends 175,135,8 GEL on Vale public school # 4 which has two language sectors and 36 students. It would be far more optimal to redistribute students of the Georgian sector to Georgian schools (public schools # 1 and 2) and those from the Armenian sector to the Armenian school # 3. Cost-effectiveness of such decision is even further strengthened as Armenian school # 3 is a small size schools with more capacity and receives quite high per student funding. It accommodates 40 students and annually receives 151, 682.2 GEL from the state budget;

(2) Another case requiring consideration relates to public schools in Shaumiani. There are three public schools in Shaumiani. School # 1 is Armenian and accommodates 235 students. School # 2 has three sectors: Georgian, Russian, and Armenian. School # 3 is purely Armenian. The last two schools have the following statistics: Shaumiani school # 2 has 143 students, 39 teachers and receives annual funding of 278, 186 GEL. Shaumiani school # 3 has 97 students, 31 teachers and receives annual funding of 148, 796 GEL. On both schools the government spends 426 983 GEL (total number of students in both schools – 240). As a comparison, Marneuli school # 5, which receives as much finding as both Shaumiani schools,

accommodates 960 students. Thus, Shaumiani schools # 2 and # 3 have ineffective and inefficient financing and teaching both in Georgian and Russian sectors. Implementation of the bilingual education model will be booth cost-effective, as well as will result into higher quality of education;

(3) Orlovka public school in Ninotsminda receives funding in the amount of 274 000 GEL while the number of students is 55. The school has two sectors: Georgian and Armenian. The case of this school is interesting for several reasons: (a) annual expenses and left-over: In 2013 school expenses amounted to 193 000 GEL which means that 81 000 GEL was left from the annual funding. Number of schools with such considerable left-over is quite high. These are mainly the ones with 1-169 students. At the same time there are other schools where public funding is not sufficient and barely allows schools to pay for such expenses as salaries, utilities and other expenses; (b) It is interesting to compare salary expense of the Orlovka school in 2012 and 2013. In 2012 the school spent 122 000 GEL on salaries. In 2013 this expense increased by 58 000 GEL as the school paid 180 000 for the staff salaries. This increase was caused by opening a Georgian sector. Thus this decision caused two types of problems for the school: First, from financial perspective, increased expense is not cost-effective; Second from academic perspective, instruction is not effective neither for the students of the Georgian language, nor Armenian-language sectors. In general, schools with two sectors are ineffective both from financial and academic point of view. Introduction of the bilingual model is the most optimal decision; (c) Lack of cost-effective spending of public funds: Village of Gorelovka is situated within 2 km distance from Orlova village. There are three

schools in Gorelovka: Georgian language school (annual funding - 131 902,10 GEL), Russian language school (annual funding – 139 229, 00 GEL) and Armenian language school (annual funding – 151 686,00 GEL). All three schools are small-size schools and in total the government spends 42 817, 30 GEL on them annually. Therefore it would be more cost-effective to redistribute students of the Georgian sector of Orlovka school to the Georgian school of Gorelovka. At the same time, students of the Armenian sector of Orlovka school can be redistributed to the Armenian school in Gorelovka. Due to the short distance between to schools, this decision is very realistic and it could result into more cost-effective spending of public funds;

(4) Another interesting case refers to Sabatlo public school in Dedoplistskaro municipality. There are 60 students and 23 students at the school. It has one building mainly Armenian and offering Georgian sector for the Georgian-language population of the village. 16 students are enrolled in the Georgian sector, which has all grades except for the sixth and eighth ones. Sabatlo School receives annual funding for 234 338, 4 GEL. In 2013 annual funding amounted to 250 000, 00 GEL. Annual expense of the school was 158 166, 00 GEL. In other words, the left over amounted to 92 000, 00 GEL. This amount of the left over is higher than the total annual funding schools of the same size would receive. Similar schools with one building and 60 students receive annual funding in the range of 92 000, 00 – 130 000, 00 GEL. For example, Mukhrani school in Mtskheta Municipality and Kvemo Sobisi School in Gori Municipality receive 92 728, 8 GEL annually. Difference between the annual funding of these two schools and above mentioned Sabatlo school makes 141 000, 00 GEL. This illustrates inequity and inefficiency of the school

funding system. Similar school, Kaurma school in Ninotminda school with 28 schools and 15 teachers receives annual funding five times less than Sabatlo school (56 000, 00 GEL). We understand that Sabatlo is a border village and therefore this school may require additional funding. However, it is suggested that list of such schools is created and they receive additional funding under separate program

(5) Similar to Kaurma school in Ninotsminda municipality there are many small-size schools (1-169 students), which receive significantly low funding. The list of the schools which we studied is given in the table:

Analysis of the expenses of these schools reveals that their funding is very low and they spend 90 % of their available funds on salaries. They have left no or few financial resources left for operational costs. This puts them in unfavorable conditions as compared to other similar schools with higher funding.

Public School of Gaurma in Ninotsminda District
Public School of Kvemo Nikozi in Gori District
Public School of Kvemo Makho of Khelvachauri District
Public School #31 of Batumi
Public School of Orguli of Sachkhere Municipality
Public school of Akhalsheni of Khelvachauri District
Public School of Pakhulani of Tsalenjikha District
Public School of Speti of sachkhere District
Public School of Jocho of Khelvachauri district
Public School of Partskhanakanevi №4 of Tskhaltubo district
Public School of Torziti of Gori Municipality
Public School of Mikeltskaro of Kaspi District
Public School of Kveshi of Bolnisi District
Public School of Medjvirskhevi of Gori Municipality
Public School of Patara Kanda of Mtskheta Municipality
Public School of Onarii of Zugdidi Municipali
Public School of Okruashvilebi Village of Khgulo District
Public School of Mestia #1
Public School of Gomareti of Dmanisi District
Public School of Koki of Zugdidi Municipality
Public School of Zeda Etseri of Zugdidi Municipality

Table 39. List of schools with 1-169 students with low funding compared to other schools

(6) Kvemo Bolnisi school # 1 in Bolnisi municipality accommodates 469 students and receives annual funding 499 000, 00 GEL as part of per capita funding. Such high funding is caused by the presence of 6 campuses in the school. Funding of this school is twice as high as of other schools with the same number of students and equals the funding of schools with 1200 students. This case as well illustrates lack of cost-effective budgeting. Kvemo Bolnisi is neither high-mountainous region nor difficult-to-access site. Transportation can be easily arranged for all the students in the school buildings. As a result they can be accumulated in the biggest campus which currently accommodates 300 students. As a result of this optimization decision, funding of Kvemo Bolnisi school can be decreased by 250 000 Lari. Instead, this amount can be redistributed to accommodate other development needs of the village;

(7) There are schools two-campus schools with all three stages of education: primary, basic and secondary. It is suggested that such schools maintain both campuses; however they can leave primary school students in one campus and redistribute all students of the basic and secondary level in the second campus. All students in need can be provided with transportation. Such decision will result in more cost-effective funding of public funds, as well as will create opportunities for creating higher quality education to students;

(8) Tabori School in Tsageri municipality receives annual funding of 65 950, 5 GEL. In 2013 its annual expenses amounted to 46 000 GEL, i.e. with the left over of 17 000 GEL. Situation is the same in most of small-size schools (1-169 students). They receive funds they are not able to spend fully. In such case there are two options to be

undertaken: first, schools are financed at the level they can spend; second, school principals are entitled and trained how to spend so called left-over funds effectively for improving quality of the education;

(9) Telavi School # 8 has teacher/student ratio of 1 / 3,5. Situation is similar in other schools of Telavi which have approximately 100 students and 23 teachers, i.e. have teacher student ratio of 1 / 4,3. Teacher/student ratio is 1 /4,6 in four schools of Telavi (Telavi schools # 5, # 6, # 7 and # 8). In total average teacher/student ratio in Telavi schools is 1 /8,7 which is quite low ratio for urban schools;

(10) Low teacher/student ratio is problematic in urban-type schools in Telavi, as well as the whole country. In all cities (except for Tbilisi, Rustavi, Kutaisi and Batumi) teacher student ratio is 1 / 10, 4. This indicator is higher in the schools of large cities (Tbilisi, Rustavi, Kutaisi and Batumi) and makes 1/ 1, 42. Low teacher/student ratio, on the one hand, illustrates ineffective spending of public funds; on the other impedes competitiveness in the teaching force. In addition to this, low teacher/student ratio has negatively impact on the quality of education. Urban schools do have the capacity for optimization, especially if transportation option available. Such optimization will on the one hand ensure more cost-effective spending of public funding. On the one hand, this will create opportunity for establishing competitiveness and selecting the most qualified administration and teachers for the optimized schools;

(11) There are small-size schools in cities, including large urban cities. Number of students in such schools does not exceed 60 (For example, Batumi School # 31, Tsalenjikha schools # 6 and 7, Bolnisi School #

2, Akhaltsikhe School # 4, Borjomi Likani School and others). Such schools require quite solid funding. For example, Akhaltsikhe School # 4 has 37 students and receive annual funding of 143 778 GEL. Similar to this, Bolnisi School # 2 with 52 students is funded with 144 000 GEL. There are other schools both in Akhaltsikhe and Bolnisi with more student accommodation capacity. Thus, the government would spend 10 times less if students were more efficiently redistributed in the city schools (even if daily transportation of the students was required). By vacating building of the schools private sector could be also supported. For example, private schools, or if respective decision made, charter schools could be opened.

(12) The case of basic public school of Kamarlo of Dmanisis municipality is an interesting. This school is a good example of unequal funding of schools. The school is located in the village. The language of instruction is Azerbaijanian in the school. The school is multi-campus with three building. The school has 136 students. The school receives the funding from the state in the amount of 107 824.52 GEL in 2014. The expenses of the schools in 2013 equals 125 362, 00 GEL. 114 568,00 GEL was spend in teachers' and staff salaries in 2013. This school gets the lower funding compared to other schools with the same funding components. The schools getting calculated funding are not funded equally. Some schools are overfunded, while others are underfunded. These schools have almost the same number of students, have the same geographical location, language of instruction, number of building and students distribution among different grades. Unfair and vague distribution of funds among the schools with 1-169 student causes concerns and some

doubts among schools and prevents the implementation of the principle of creating of equal educational opportunities for all students.

Chapter Five. Desk Research Challenges for School Choice

As mentioned earlier, we discuss existing funding system in the context of educational policy. The school choice was always an important argument to support voucher funding system. The school choice of parents is limited in Georgian context due to the following factors: (a) Geographical distribution of schools; (b) The dynamics of development of private schools in geographical and regional setting and high tuition fee in private schools of Tbilisi; (c) The limitation of schools choice in the regions of compact settlement of ethnic minorities due to language of instruction; (d) The complicated and bureaucratic procedures for students school enrollment in the first grade. We will briefly overview each factor.

(a) The geographical location of schools is important challenge for implementation of school choice reform. The rural areas of Georgia are not densely resided by population. The students should pass 3-5 miles to reach the only school in the area. Thus, there is no room left to speak about the parental choice in rural places, as there is physically no other options.

(b) The restricted choice of private schools is important challenge for the system. The research revealed two types of problems in this direction (1) Functioning and development of private schools in geographical and regional setting. Private schools are mostly developed in Tbilisi and big cities and there is freedom of school choice in other regions of Georgia (The distribution of private schools in cities and districts of Georgia is presented in the Chart 19 below);

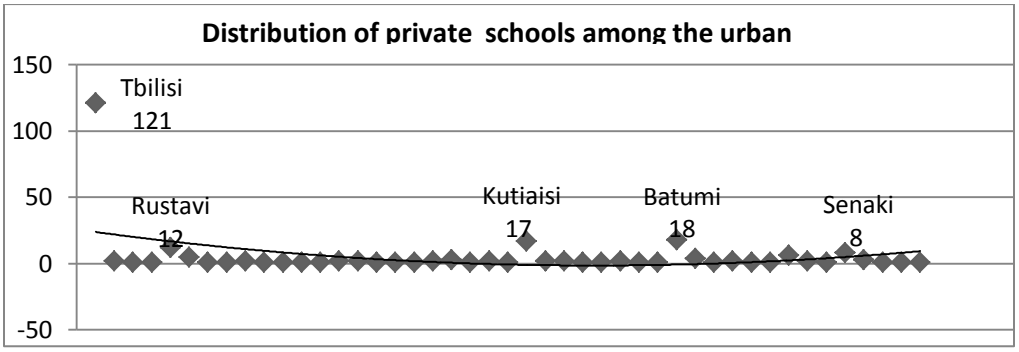

Diagram 11: distribution of private schools in urban areas

(2) The financial obstacles for schools choice of parents. The tuition fees in private schools is very high, thus parents cannot afford to send their kids in private schools even though they can spent their vouchers in private schools. As the chart below shows, the tuition fee of private schools is very higher. The tuition fee of private schools is more than 1500 GEL in 81% of private schools. The state voucher in 300 GEL does not really effect the parents' choice as they cannot afford to pay this amount.

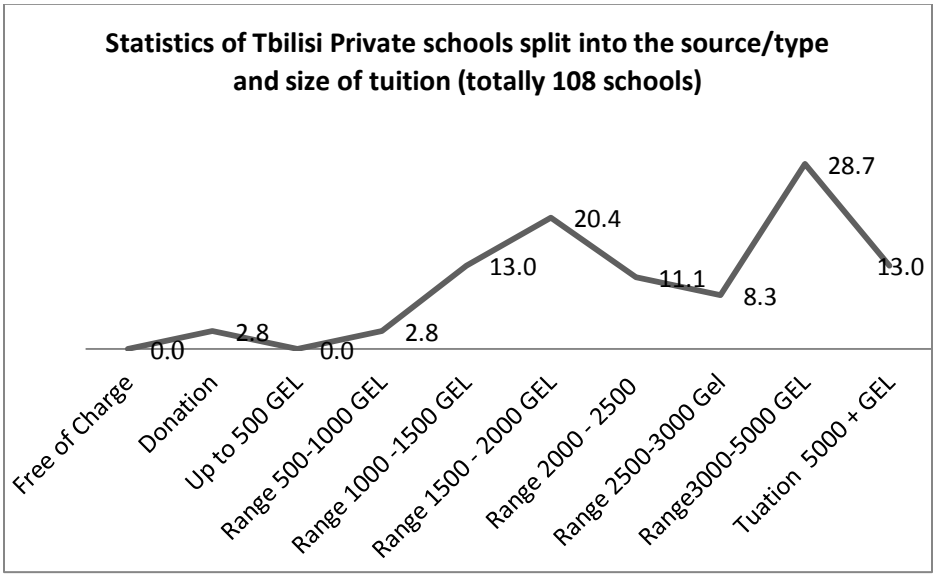

Diagram 12, Private schools in Tbilisi by Tuition fee

(c) The language of instruction is an obstacle for parental school choice. Non-Georgian schools are mostly concentrated in the regions of compact settlements of ethnic minorities of Georgia. Mostly, non-Georgian schools function in these regions. Parents are not able to choose the school from variety of offers (School with state language of instruction, schools with various bilingual models and etc). The parent's choice is limited due to absence of bilingual education programs in non-Georgian schools. The parents of ethnic minority students are interested in acquisition the state language as well as in getting education on their native language by their children. This choice is not realized in existing schools system of Georgia. The table below shows the distribution of schools by language of instruction in three cities of Georgia mostly resided by ethnic minorities:

District	Georgian Schools	Armenian Schools	Azerbaijani Schools	Russian Schools	Schools with various language sectors	Bilingual Schools	Total
Akhalkalaki	9	53	0	1	2	0	65
Marneuli	9	6	45	3	11	0	74
Ninotsminda	4	30	0	3	1		38

Table 40. Schools and sectors in Akhalakalaki, Marneuli and Ninotsminda districts by language of instruction

(d) The complicated and bureaucratic procedures for students school enrollment. The Ministry of Education and Science of Georgia introduced online registration system for first graders. Schools allocate the places for first graders and parents have to register their kids. The principle of "first

come, first serve" works in this situation. The registration is closed after all allocated places are filled. This procedure restricts the choice of parents and the principal of equal educational opportunities. The choice of schools depends on parents' engagement, education and awareness.

Chapter Six: Private schools and funding formula

First private schools were established in Georgia in early 1990s. Their number almost doubled during 2003-2006. As of 2006, when per capita funding system was introduced, there were 270 private education suppliers (Ministry of Economic Development of Georgia, 2006). The four important education policy was set for funding private schools in Georgia, specifically: (1) Establishment of market values in education can have a positive impact on the overall performance of general education schools. (2) Along with providing free general (elementary, basic and secondary) public education for every child in Georgia, the government took responsibility to address inequities in the access to private education and assure that the quality of education received by the pupil does not depend on the financial capacity of his family; (3) One of the major driving forces of education voucher policy in Georgia is the commitment to the freedom of choice. By specifying that "the state shall protect freedom of educational choice of a pupil and parent", the law on General Education (2005) aims to establish the principles of consumer choice and personal advancement (Chapter I, clause 9); (4) Provision of public funds for private education was seen as an effective way for strengthening public-private partnership in education. Presumably believing in the superiority of private education suppliers over public schools, the government of Georgia attempted to create incentives and favorable conditions for the expansion of private market in general education

We tried to analyze the effectiveness of funding private schools in Georgia. The analyses were conducted based on the following data: (a) The database of private schools received from Ministry of Education and Science of Georgia; (2) Survey of private school administrators on tuition fee and education services provided by private schools.

The number of private schools is 243 today (Data of EMIS). The tuition fee of private schools was studied in the framework of the research. Out of 243 private schools 214 schools provided us with the information on their tuition fee. Out of 243 private schools 214 agreed to provide us with information on tuition fee and their educational program and service. 29 private schools refused to inform us about their tuition fees as well as did not provide us with information about their educational programs and services. Accordingly, we analyzed the data of 214 private schools, which composes 90% of private schools in Georgia. The number of private schools participating in the research gives us an opportunity to generalize the data and research results.

This chapter analyzes private schools funding system in different educational policy context. The parent's choice was analyzed in previous chapter. Accordingly, we will discuss the topic in the context of development of private sector in education and promotion of private and public competition of schools to assure the quality of education in general education system.

Strengthening the Private Sector

Changes of 2011 in the education funding system resulted in the changes of funding of private schools: (a) In the previous funding model, private schools were entitled to the same amount of per student funding as the public schools. This regulation has changed since 2011. All private schools irrespective of their size, territorial location, language instruction and tuition fee, receive fixed per student funding with the amount of 300 GEL (This is less than the amount of per student voucher in public schools); (b) Students of private schools are not eligible for additional public services as their counterparts at public schools are. For example, the government provides all

first-grades with netbooks with the exception of those enrolled in private schools; (c) Starting from 2013 the government launched the system of free textbooks, which implies that students will no longer have to buy the textbooks. Instead they will receive them at school with the provision to submit them back at the end of the school year. Similar to the above service, this privilege applies only to the students from public schools and those in private schools, unless they are socially disadvantaged families, will have to buy books on their own. The above-mentioned changes can have problems in the following directions: (a) To hinder the development of private sector in general education system; (b) to put the socially vulnerable students of private schools in unequal conditions compared to public school students; accordingly, it was interesting to figure out how effectively the system functions toward the declared educational policies for private schools.

The distribution of tuition fees among private schools has an important implication for policy planning. This issue will be further discussed in this report. The chart below represents the distribution of tuition fees among the private schools:

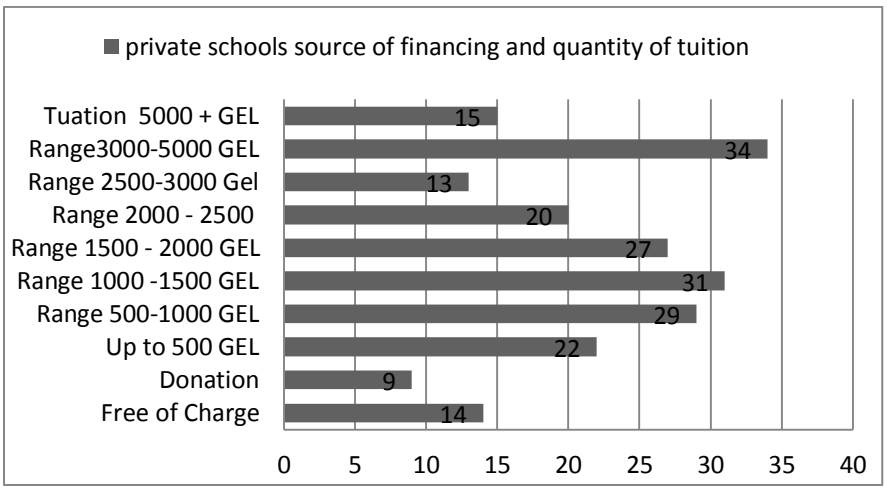

Diagram 13. The distribution of private schools by tuition fee

The grouping of private schools by tuition fee enabled us to analyze existing funding system of private schools. The existing funding system of private schools and distribution of tuition fee causes problems in several directions:

(a) The total number of schools with no fee or schools dependent on donations, as well as schools with low tuition fee is 74 which make 35% of all the private schools across the country and 70 % of all private schools in the regions. Therefore, parents of the students in these private schools are in need of additional government support as much as those in public schools are. In addition to this, the new funding system creates no opportunities for the development of private schools. The charts below gives detailed information about the number and share of low income schools.

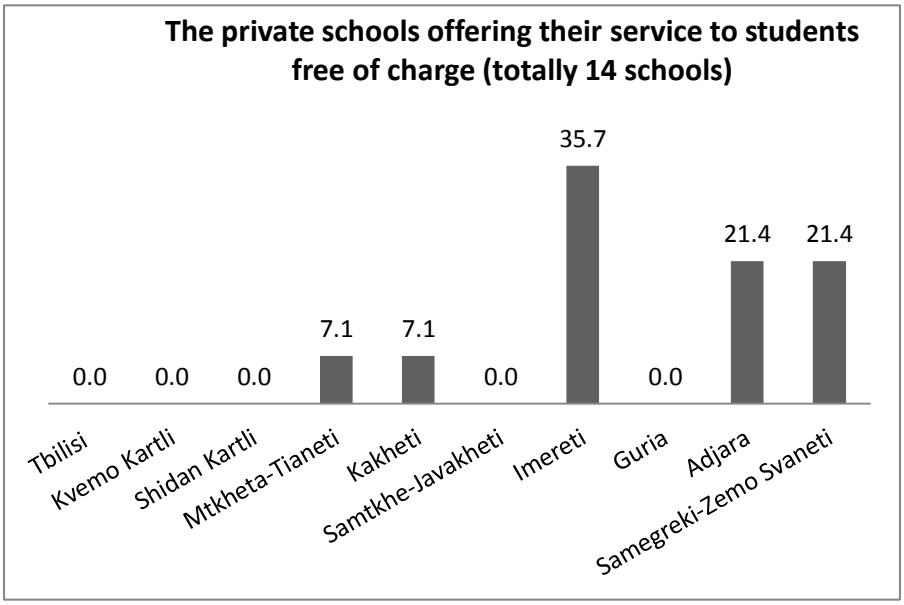

Diagram 14. Distribution of private schools offering their service free of charge by regions of Georgia

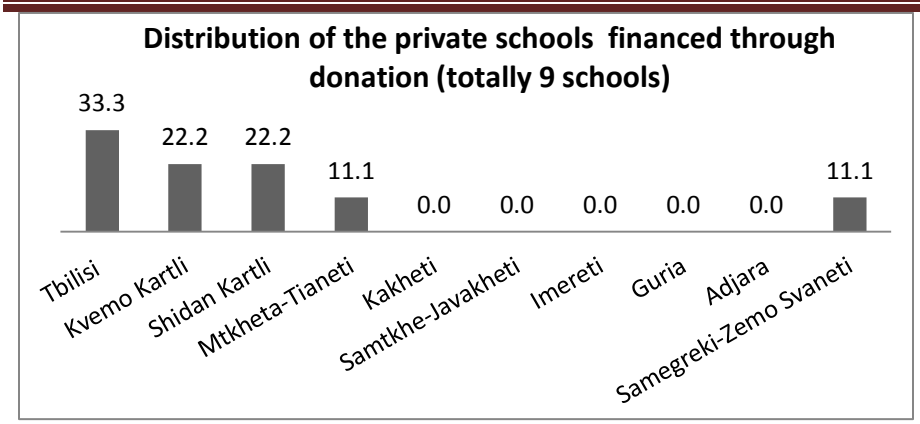

Diagram 15. Distribution of private schools financed through donations by regions of Georgia

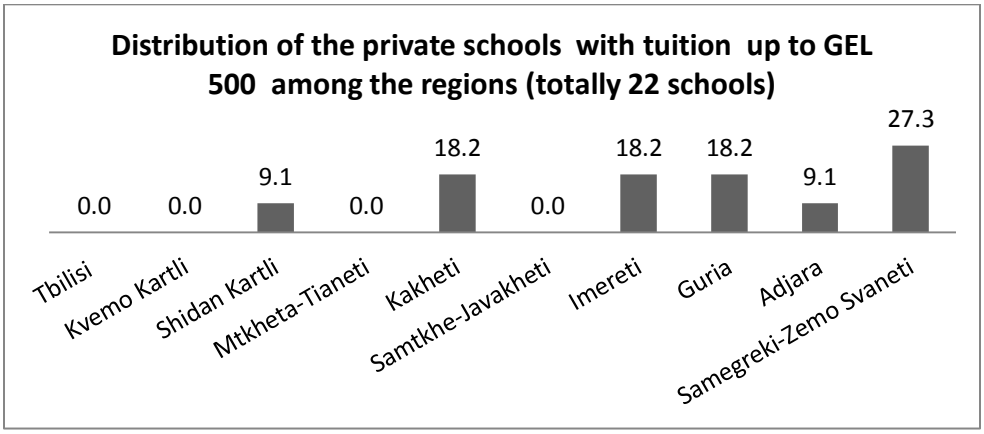

Diagram 16. Distribution of private schools with tuition fee 500- 1 000 GEL by regions of Georgia (Totally 29 schools)

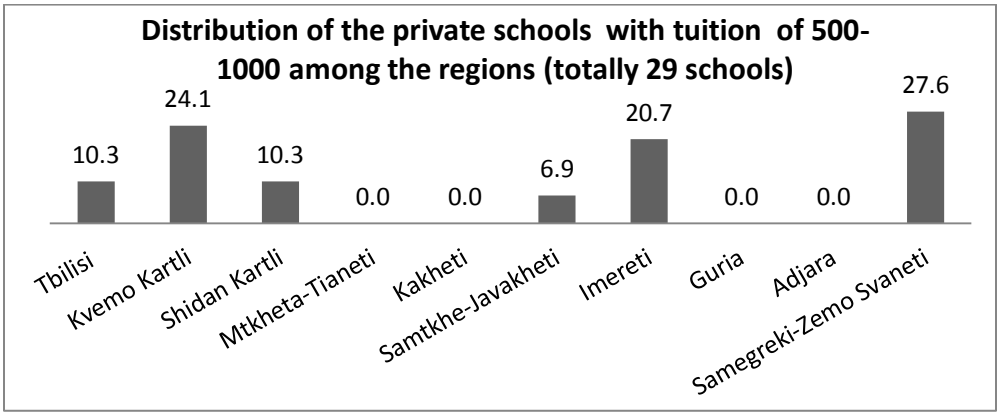

Diagram 17: Distribution of the private schools with tuition of 500-1000 among the regions (totally 29 schools)

(b) The sector of private schools is mostly developed in Tbilisi (50 % of all schools are located in Tbilisi) and big cities (70 % of all private schools are in Tbilisi and these big cities/towns). Thus, the private school system is not developed in regions and rural areas. This tendency is clearly shown in the charts below:

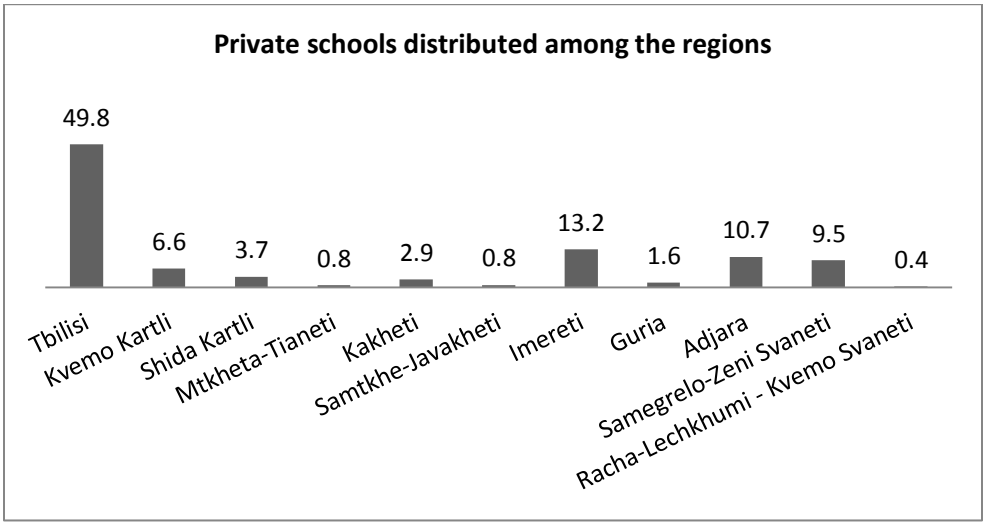

Diagram 17. Private schools distribution by regions of Georgia in %

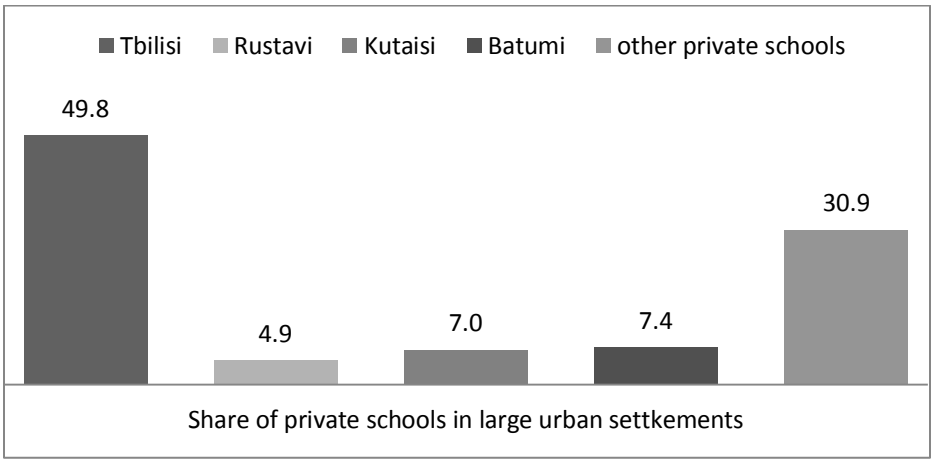

Diagram 18. Private schools distribution in big cities of Georgia in % of total private school

(c) In the form of the public voucher for each student enrolled, high tuition schools receive additional funding which does not have any impact on the tuition fee paid by the parents. Therefore parents and students do not benefit from the public money allocated to each student. This public funding is an additional income for private schools. This additional funding does not contribute to the development of private schools either, as given to high tuition, these schools are already very developed and do not need any additional assistance from the state. Such schools are mainly concentrated in Tbilisi (90 % of such schools).

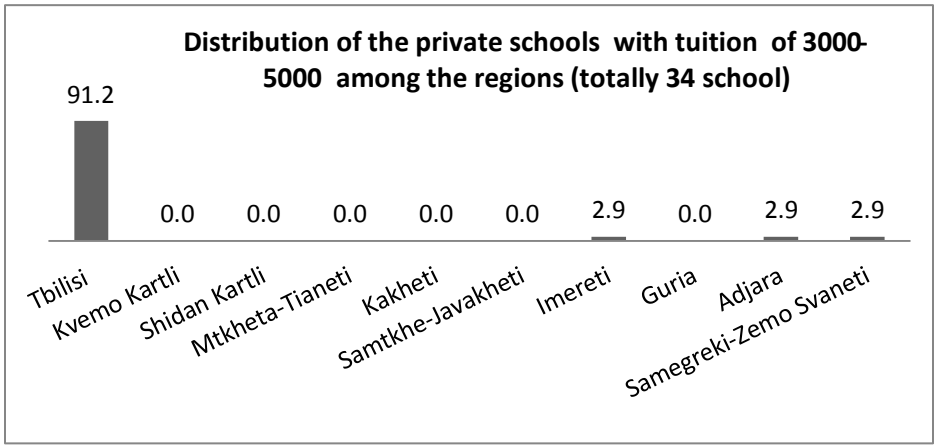

Diagram 19 . Distribution of private schools with tuition fee from 3000 to 5000 GEL by regions of Georgia

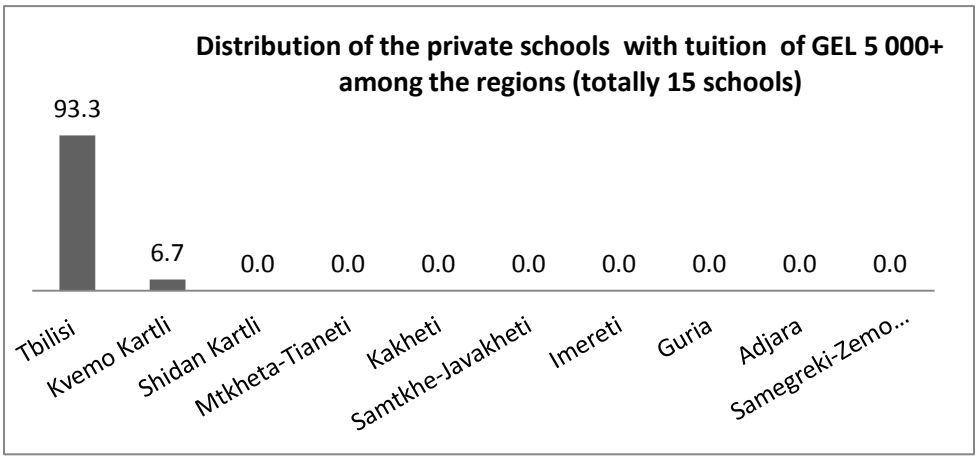

Diagram 20 . Distribution of private schools with tuition fee more than 5000 GEL by regions of Georgia

Competition among the Public and Private Sector

The current system of financing does not create favorable conditions for creating competition among the private and public schools and eventually improving high quality in both private and public schools. Private schools in the regions are less competitive as compared to public ones due to the following reasons:

(1) Private schools in the regions cannot offer those benefits to their students their public counterparts do, such as free textbooks and netbooks;

(2) In the regions public school teachers have better working conditions than their colleagues in public ones. In public schools, teachers receive compensation for 12 months, while their colleagues in private schools are mostly paid for 10 months. Also teachers from public schools receive state insurance package, which is not the case for the private school teachers;

(3) Public school teachers, unlike those in private schools, are entitled to the certification supplement to the salary. Accordingly, private

schools in the regions are not competitive and mainly the serve as day care centers and are perceived by parents and lower SEC students as a shelter (this is true particularly for those schools which are founded by religious organizations).

The situation is quite different in Tbilisi. However, competition among private and public schools still remains an issue due to different reasons:

(a) Private schools in Tbilisi have high tuition and therefore they can recruit better-qualified staff. 44 % of the private school students are enrolled in the institutions where tuition equals or is higher than 3 000 GEL. These schools offer higher salaries and they can easily recruit them from public schools;

(b) Salary of public school teachers in Tbilisi falls behind the average salary in the capital. Therefore the only mechanism for retaining qualified teachers in public schools is private tutoring, which fosters shadow education and hampers the process of improving quality of education in public schools.

Therefore, in order to address differences among the average salaries in the capital and in the regions, it is suggested to differentiate public school teacher salaries (this differentiation should be aligned with the specifics of living standards in each region). As an illustration, we provide distribution of salaries among the employees in the business sector.

Region	Female	Male
Tbilisi	541,10	842,0
Abkhazia	431,3	920,4
Achara	329,0	581,7
Guria	179,3	333,9
Imereti	267,9	525,9
Kakheti	201,0	390,9
Mtskheta-Mtianeti	393,7	721,8
Racha-Lechkhumi-Kvemo Svaneti	220,8	275,3
Samegrelo-Zemo Svaneti	246,9	539,8
Samtskhe-Javakheti	234.5	468,3
Kvemo Kartli	298,0	679
Shida Kartli	224,5	457,6

Table 41 Average Monthly Salary by regions of Georgia in Business Sector Department of Statistics of Georgia, 2012

Salaries are different not only among the employees of the business sector, but other sectors as well. In the schools, the minimum and maximum rates of the salaries of principals, deputy principals and other administrative employees are set. The situation is the same among the employees of the self-governance bodies. Staff members of Tbilisi and Batumi self-governance bodies receive higher salaries than those in other cities. Differences are observed in the salary rates for the same position across various self-governing bodies. The presidential decree sets only the maximum amount of the rate. Actual amount of salaries are decided based on the financial capacity of each body (Presidential decree, 2012). Accordingly, differentiated teacher salaries for teachers from Tbilisi and regions may

become one of the priority issues on the government agenda. It is suggested that Tbilisi self-government body offers salary supplement to Tbilisi teachers. This will also increase involvement of the local government in the education system, which by itself is a very positive phenomenon for the management of the system.

Chapter 7. Results of Principals' inquiry

Number of teachers and school size

As noted in the Research Methodology in Chapter two, 432 principals participated in the research. The sample methodology is described in details in chapter two.

We analyzed the correlation between the distribution of teachers and school size. The information about the number of teachers provided by schools principals was compared to and validated through the database provided by the Educational Management Informational System (EMIS).

If we look at the table below, it clearly shows that in those schools with students from 206 to 735 that are broken down in three size categories according to funding formula, the upper threshold of the number of teachers is the same for schools of different sizes. We should also consider the number of schools for each size. There is clear that the schools which differ from each other with the number of minimum 230 students and are in the different size categories (the upper threshold of school with 206-299 students and lower threshold of school with 531-735 students) can have the same number of teachers. There should be different factors, for instance two or more buildings, class sizes, ect, which effect the number of teachers in each school. In reality, while speaking on effectiveness in regard to school financing, the similar distribution of teachers in schools of different sizes makes vivid an unequal financial conditions of schools even in absolutely equal funding conditions.

Category	1-5	6-10	11-20	21-30	31-40	41-50	51-60	61-70	71-80	81-90	91-100	100+	Total number of schools
Number of teachers in schools with 1-50 students %	1.5%	12.1%	78.1%	8.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	406
Number of teachers in schools with 51-100 students %	0.2%	0.1%	51.3%	47.4%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	422
Number of teachers in schools with 101-169 students %	0.0%	0.2%	12.6%	79.7%	6.2%	0.9%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	436
Number of teachers in schools with 170-205 students %	0.0%	0.0%	2.3%	79.7%	15.6%	1.6%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	128
Number of teachers in schools with 206-299 students %	0.0%	0.0%	**2.0%**	**61.5%**	**28.0%**	**5.5%**	**1.5%**	**1.5%**	0.0%	0.0%	0.0%	0.0%	200
Number of teachers 300-530	0.0%	0.0%	0.0%	**9.6%**	**44.5%**	**36.6%**	**7.0%**	**1.7%**	0.0%	0.4%	0.0%	0.0%	229
Number of teachers 531-735	0.0%	0.0%	0.0%	0.0%	**9.7%**	**53.4%**	**28.2%**	**8.7%**	0.0%	0.0%	0.0%	0.0%	103
Number of teachers 736-1269	0.0%	0.0%	0.0%	0.0%	0.0%	8.9%	34.7%	37.1%	11.3%	6.5%	1.6%	0.0%	124
Number of teachers 1270+	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.8%	5.9%	32.4%	17.6%	35.3%	34

Table 42: Teachers' distribution in schools with diffirent number of students according to distribution of teachers for each school category (Education Management Information System Center Base)

Teachers-students ratio does not change sharply with the growth of the size of schools when we are not taking into account the teachers- students ratio typical for different geographical location (teachers-students ration is different for the villages and settlements and legs behind the teacher-students ration in rural locations – in the cities.) Nonetheless those cases when the number of teachers is obviously low or high compared to the number of students, requires special study in order to determine how effective are teachers' salary expenses and if the allocation of finances on teachers' salaries doesn't impact the education quality.

Financial management and reporting skills

One of the objectives of the principals' survey was to determine whether an existing funding system enables the schools to make savings or not. Accordingly, the questionnaire covered questions on the remnant during the recent and the year before. With the help of this type of information, would help to determine whether the schools are able to save and use money for the individual priority needs of the schools as the mandatory expenditure is done. More specifically, on the basis of the information provided in the questionnaire, we should have determined the amount of remnant that target schools have an amplitude between the remnants of different schools and accordingly, to determine any type of regularity among the factors of school financing system and existing remnant. This information would enable us to identify if all schools are equally able to have e free funds and to use these free funds effectively in response to individual school needs

Based on the next open question, it should have been determined if there exist such factors that have impact on planning the spending of free funds and then its purposeful spending. The principals' survey proved that

calculation of the remnant by years is a problem for principals. While naming the remnant (leftover), they mainly speak about the total amount of the existing remnant and not about the remnant fort the recent fiscal year. Accordingly, the information given in the questionnaire on the remnant reflects the status and amount of remnant for the previous year and does not include the data on existence of free funds in the conditions of new voucher funding.

To the question whether they have a remnant the previous or the year before answers were distributed as follows: more than 82% of sampled school principals state that they have remnants from previous year and only 16.4% indicated that they did not have remnant in 2012 and in 2013 financial years.

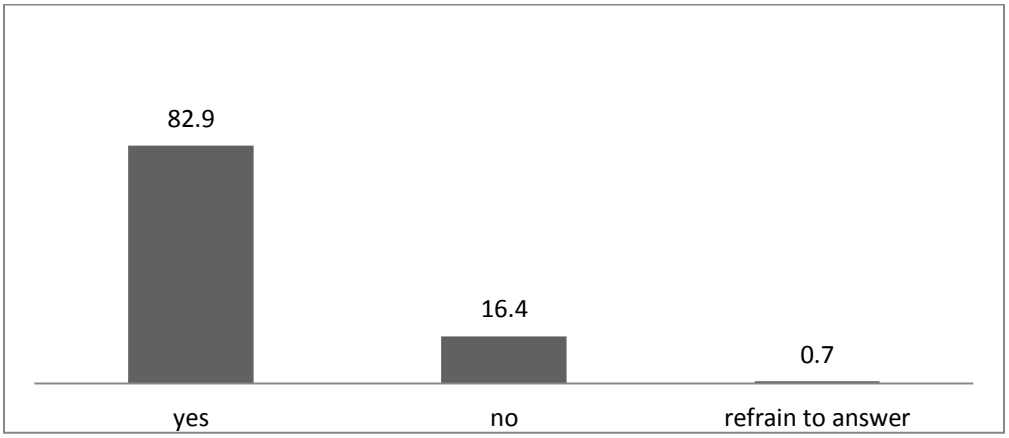

Diagram 21: Distribution of schools by remnant

Actually the fact that 16.4 percent of principals reported not to have a remnant for the recent year gives us no basis to make conclusion that the 16.4 percept of schools have different opportunities which are effected by One or several factors of the funding system. Despite the fact that we are unable to speak about impact of financing factors on remnant, still we considered it necessary to discuss existence/nonexistence of the remnant in several directions. The below given diagram shows percentage distribution of the remnant according to the size of schools:

The diagram clearly shows that among the schools divided by size, the highest percentage falls at schools that declare on their remnant – with 101/169 students (72.7 declares existence of the b remnant) and 170-205 students (67.7 declares existence of the remnant). The highest indicator falls at big schools, where all the inquired schools have the remnant. Also, the high indicator was observed in schools with 206-299 students (91.4).

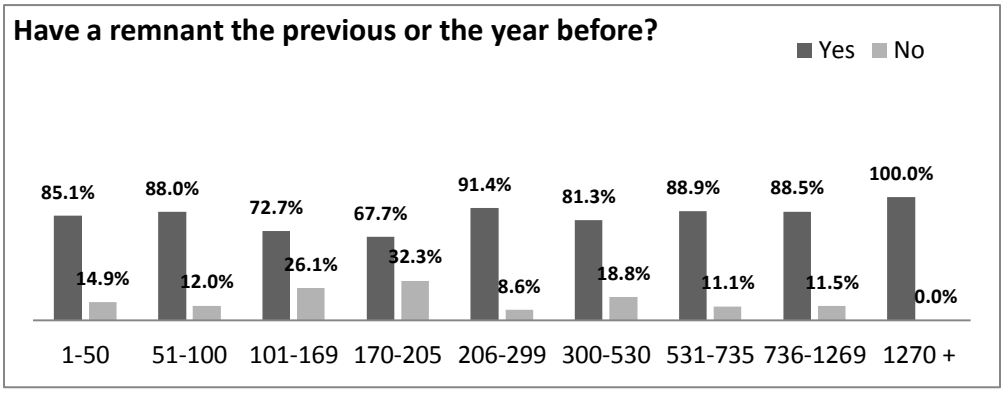

Diagram 22: Distribution of remnant by size of schools

If we discuss the remnant availability in target schools by number of buildings, we will see that actually we face no big difference.

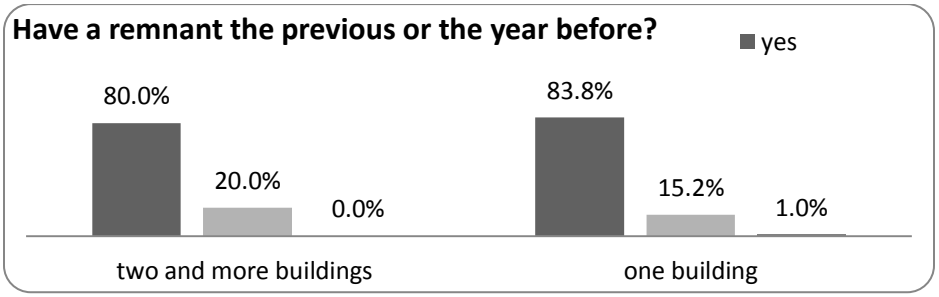

Diagram 23: Distribution of remnant by number of buildings

As for distribution of remnant by geographical location, the available remnant in small town (lowland) type of settlement is given with less percentage compared to the city and village (75%), only in the city, more than 88% of the schools declare on the existence of remnant.

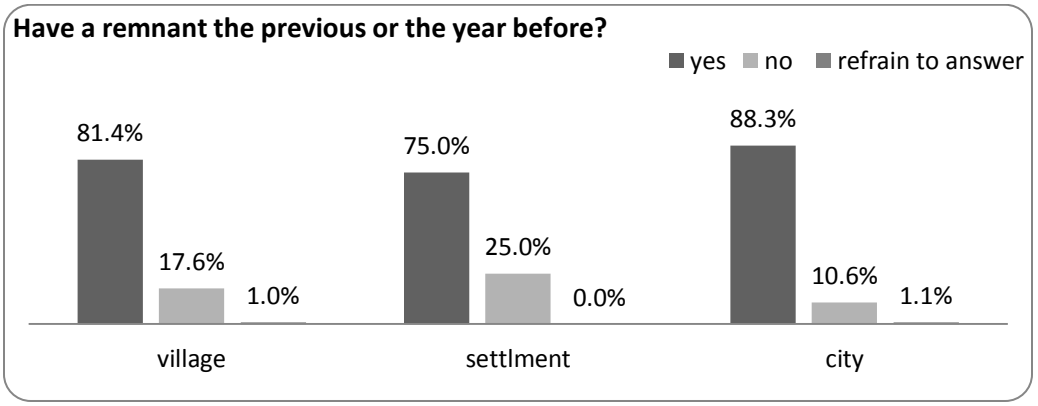

Diagram 24: Remnant distribution by geographical location

In those schools which have a one or more additional sectors, the difference is obvious in regard to remnant. The diagram clearly shows that only 57% of the inquired schools have a remnant in schools having additional sector. Despite the fact that 14.3% does not answer the question, actually the sector schools with their remnant indicators significantly leg behind the Georgian and non-Georgian schools, where the different in remnant existence is statistically insignificant.

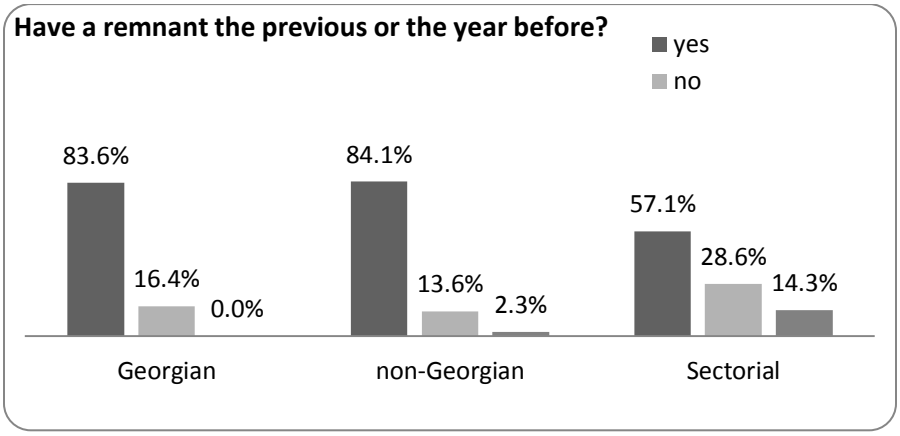

Diagram 25: Remnant distribution by teaching language

Following the findings with regard of remnant in different type of schools there was considered as necessary to learn the data on remnant in three directions where schools are analyzed by size, geographical location and language of instruction simultaneously. No correlation has been observed in this analysis. However it was decided to ask to the principals the next question about planning of the remnant usage and the possibility to use the remnant in accordance with the plan. These question should make clear whether the principals accumulate the remnant purposely in order to spend it for the specific purpose and whether this spending took place in compliance with the planned schedule.

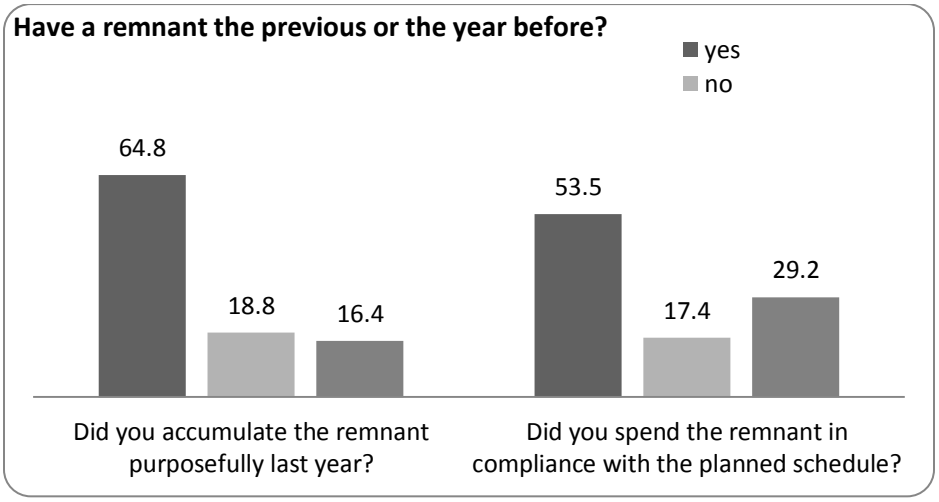

Diagram 26 – Indicators of remnant planning and usage

Out of the 337 schools with remained remnant, 280 schools state that they had planned to spend the remnant on a specific objective. Out of 280 schools that planned to spend the remnant, only 231 schools spent it in compliance with the plan. Out of those 75 schools, who failed to spend the remnant according to the plan and 126 schools that evaded the question, only 15 schools explained the reason of not to be able to spend the remnant in accordance with the plan. The answers of the principals are given below.

Was not spent on the specific objective, e.g. roofing, purchase of lawn trimmers due to complications related to tender conditions and purchases
The school lacked sum in voucher and moved the remnant to expenditures, thus the planned purchase was not made
School should have been rehabilitated, though it failed due to Kakheti natural disaster
The school was merged, one building burnt down; that's why the remnant was left. Principal is unable to dispose it
The problem is that we cannot use the remnant for all needs. For example, the remainder is not distributed as salaries, despite the fact that the school can afford it. Another problem is that previous month remainder is not reflected in the upcoming year account
The building is not on school remnant, belongs to the Patriarchate, so despite the remnant, we can't carry out its repair works
Was a possibility to distribute the remnant as bonuses among the pedagogical staff, though we were not authorized to do it.
Only partially was spent on the objective
Was envisaged for purchase of inventory, though the sum turned out insufficient
The sum allocated for infrastructure, on estimation of which we received rejection due to the reason that we were involved in the American project and the remainder would be deemed as inexpedient. Repair works have not been made
Due to the changes to the budget, sometimes it is not possible to dispose the remnant according to needs
Buffet was not repaired as there were insufficient funds
Has not been spent as there was no special case
Target spending of this remnant is planned in summer, that's why it is not yet spent

Table 43: Trends of replies given to open question regarding the problems related to purposeful spending of the remnant

Noteworthy is to mention that the Ministry has a recommendation for schools – to keep 3% of free income after all the necessary expenditures for specific needs of an individual school. The fact that about 16% of schools indicates at lacking the remnant, gives no information on how well they follow the Ministry's recommendation. It is possible that the remnant was used before the end of the fiscal year and it is not then reflected in the annual

balance. Though, based on the open questions, where principals were asked to specify to what extent the planned remnant was used, we can make some conclusions on schools: It possible that the school of the same size and financing have different opportunities to spend free funds in according to specific needs. The answers to the open questions below prove that in some cases, it is impossible to take into account the Ministry's recommendation due to insufficiency of funds. Accordingly, there appears a question, should availability of free funds be recommended or should be provided by the ministry for all schools? What are those basic needs that free funds can be spent on? Is the recommendation on availability of free funds equally effective for all schools? The questions are urgent since in the opinion of the principals, availability of free funds has a positive impact on the quality of teaching. With the help of the questionnaire, it isn't possible to collect quantitative and statistically reliable data regarding spending of free income by schools or about the priorities selected by the schools for spending the free funds on them, though the data been observed in the questionnaire gives a chance to raise the issue of equal opportunities for schools.

Therefore, quite pressing is the issue on whether availability of free income should be mandatory or recommendatory. The questions raises the minimal threshold that all schools should have for meeting the individual needs of schools.

Based on the open answers, it becomes clear that in some cases, the remnant cannot be used independently from effectiveness of disposal of school funds. Among them was named deficit of voucher for schools, resulting in using the remnant for ongoing objectives as well as a prolonged process of determining the correctness of using the remnant in case of burning of one of the buildings in schools with two buildings. Actually, some cases of remnant

disposal prove that there does not exist sharp instruction on the remnant use, also the existing instructions limit the autonomy of the school administration to dispose funds referring to the interests of the school.

Planning of the remnant disposal and its use was also analyzed considering the funding criteria. Answers are distributed in the below diagrams. In case of schools with two or more buildings, the difference between the planned and used remnant is 9%, while in case of schools with one building - 12.5%. Though, at the same time, 30.6% evaded to answer the question (principals of schools with one building).

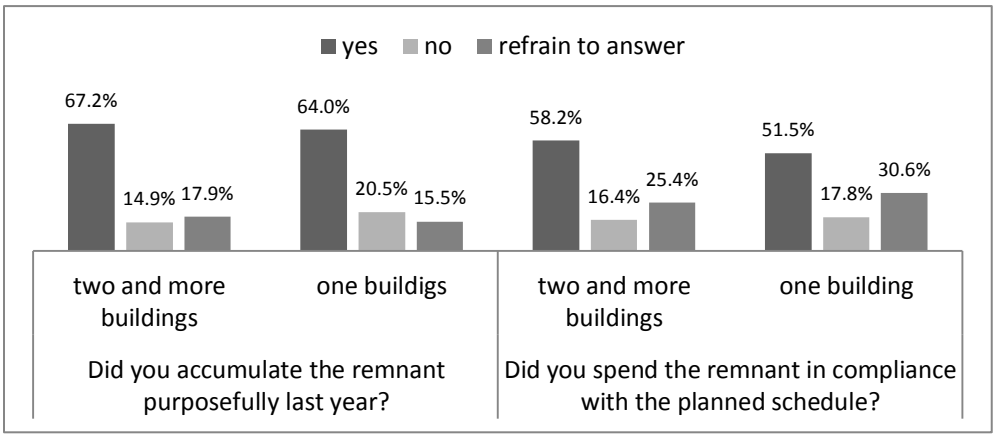

Diagram 28: Remnant planning and distribution of target use in case of schools with one, two or more buildings

Remnant planning and usage indicator by language of teaching stirs up interest case of school distribution; it clearly shows that in case of schools with additional sectors the distribution among planned and target use is absolutely equal. In case of Georgian-language schools the difference between the planning of the remnant application and its usage is about 9%. High indicator of the remnant planning is observed (79.5%) in non-Georgian language schools, though only 47.7% of principals gave positive answers in case of its target disposal. In reality, 31.8% of principals failed to purposely use the preliminary planned remnant. According to this indicator, we may

presume that principals of non-Georgian language schools are less effective in financial management. This tendency can be explained by relatively low competence of the principals of these schools, presumably linked to state language problem and accordingly less access to the information.

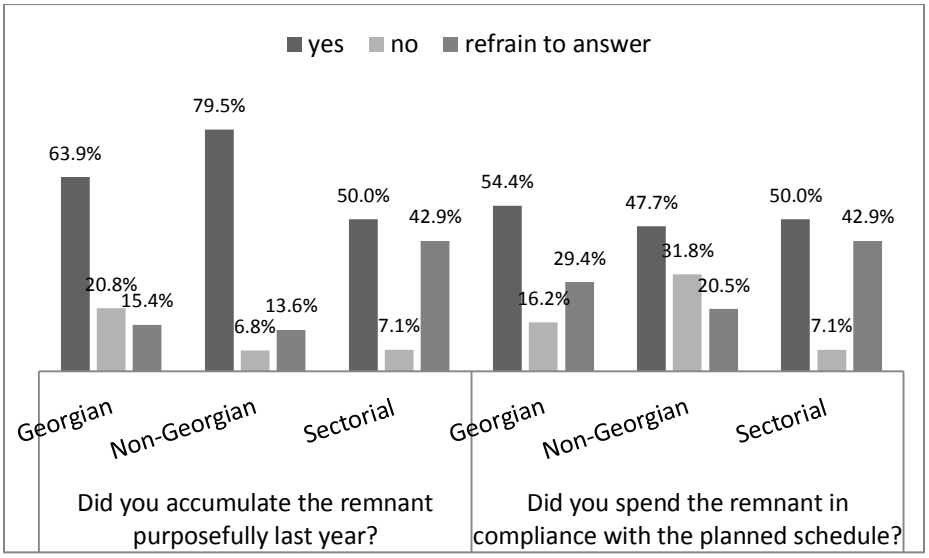

Diagram 29: Planning of remnant and distribution of purposeful use in schools in case of different languages of teaching

Considering the geographical location, the difference between the planned and used remnant in case of lowland (small settlements) is worth noting, where 20.9% of principals state that they failed in using the funds expediently. 12.8% of the principals in village schools note the same, when city school principals (only 4.3%) state that the remnant was not purposely used. This indicator once again enables to presume that considering their geographical location principals are given different opportunities to dispose the existing funds based on the school needs. It is worth considering that for village and lowland schools access to the services and goods that would enable them to dispose funds expediently is complicated or principals' financial planning and management skills in village and lowland settlements are less developed compared to the city schools.

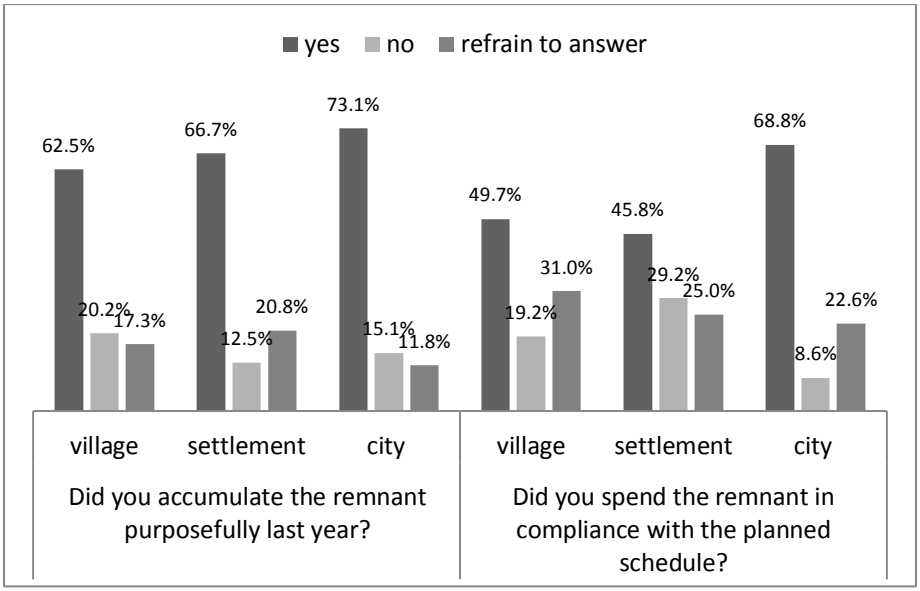

Diagram 30. Data on purposeful usage of remnant by geographical location

Sources of Income of Public Schools and Types of Expenditures and Their Distribution

The objective of principals' survey was to identify the sources of income of school as well as types and percentile distribution of expenses. Accordingly, the questionnaire included several questions about the sources of school income with the indication of percentage indicator of total income and types of expenses with their shared indicator.

It should be noted that schools principals had difficulties to indicate sources of income and types of expenses of schools in percentile distribution of school budget. Moreover, in some cases, school principals with small quantity of students are confident that they receive voucher type funding from the Ministry. In the process of filling the questionnaire, inclusion of an accountant became necessary. The fact itself shows that principals lack

knowledge and skills required for financial management. This obviously finds reflection on financial effectiveness of schools and provision of qualitative teaching.

The questionnaire included the question about the school revenues. The revenue could be allocated to 10 different sources of financing. According to the piloting of the questionnaire these 10 sources are mostly spread revenue sources relevant for the schools generally.

The below given table shows average indicator of revenue of the schools distributing between the 10 different revenue sources. It is obvious that the basic income for schools is state funding, which makes 98.25% of the whole income and includes individual funding in case of schools with 1-169 students in accordance with the specific school parameters, voucher per student in case of school with 170+ students as well basic funding in the same size schools. State funding also implies teachers' salary supplements, that are transferred to schools separately in compliance with the data of their pedagogical staff. The revenue from the state also includes the special for boarding and specialized schools that serve specific target audience and their financing is determined individually. An example of the schools with individual financing from the state budget in the case of the survey include military school in Imereti, school #7 in Akhaltsikhe, etc.

According to the questionnaire answers, the rest funding is distributed among 9 sources, out of which are the space lease, grants and funds received/mobilized from local self-governing bodies, individual/personal donations, voluntary aids of the parents, funds transferred by the graduates and revenues received from other type of lease as well as "other sources" requiring specifying from the informant. All these sources together make 1.75% of total revenue of the schools.

Source of income	Share of income
1. state funding	98.25
2. grants	0.29
3. funds mobilized from local self-governing bodies	0.14
4. funds transferred by the graduates	0.03
5. donations	0.02
6.voluntary aids provided by parents	0.03
7. space lease	0.67
8. Lease of other facilities	0.10
9. other (specify)	0.47

Table 44: Sources of school funding and shared distribution

Redistribution of revenues beyond the funds received from the state budget

Despite the small volume of other type of revenues, it should be noted by all means that volume of other revenues in different schools are quite different. Accordingly, we considered it necessary to analyze the sources in different contexts.

36 school principals out of 432 surveyed principals indicated that they have grants as additional income and this type of income fluctuates between 0.5 to 20%. The income received from grant amounts to 20 and 14 percent for each school, while for two schools it is 10% of the income. Also, the income received from grant for one school is 7%. For ten schools, the income received from grant is 2-5%, while for 15 schools - 1%.

It should be noted that 22 schools have revenues received from local self-governing bodies, out of which one school indicates that this income is 20%

of the whole school budget, 2-6% for 8 schools, for 13 schools - from 0.5 to 1.5%.

Region	District	Size of school	Share of funding in the school income
Guria	Ozurgeti	51-100	0.5
Samegrelo/Zemo Svaneti	Zugdidi	206-299	0.5
Guria	Chokhatauri	51-100	1
Tbilisi	Gldani-Nadzaladevi	736-1269	1
Imereti	Zestaponi	736-1269	1
Samegrelo Zemo Svaneti	Zugdidi	101-169	1
Samegrelo Zemo Svaneti	Poti	206-299	1
Samegrelo Zemo Svaneti	Chkhorotskhu	206-299	1
Samegrelo Zemo Svaneti	Zugdidi	300-530	1
Samegrelo Zemo Svaneti	Tsalenjikha	51-100	1
Samtskhe-Javakheti	Borjomi	51-100	1
Shida Kartli	Khashuri	1-50	1
Kakheti	Lagodekhi	101-169	1.5
Imereti	Samtredia	101-169	2
Samegrelo zemo Svaneti	Tsalenjikha	101-169	2
Samegrelo zemo Svaneti	Martvili	51-100	2
Samegrelo zemo Svaneti	Zugdidi	101-169	3
Samegrelo zemo Svaneti	Zugdidi	101-169	3
Samegrelo zemo Svaneti	Martvili	101-169	3
Samegrelo zemo Svaneti	Mestia	1-50	5
Imereti	Terjola	101-169	6
Shida Kartli	Khashuri	300-530	20

Table 45. Volume of funding of schools from local self-governing bodies

The table shows well that the income received from local self-governing bodies is different in volume and is distributed from 0,5% to 20 percent of the total budget of schools. The most frequently named share of income from this source is 1 percent. Funds allocated by the district self-governing bodies are distributed among 6 regions and Tbilisi. There are 12 cases given in

Samegrelo, 3 in Imereti, two in Shida Kartli and Guria, one in Tbilisi, Kakheti and Samtskhe-Javakheti. As it was noted before, this type of funding in regard to the inquired schools in total amounts to 0.14%.

More share of the income received from the space lease falls at Tbilisi schools. From the inquired 31 schools in Tbilisi, 27 have a lease, out of which income for one school is 26%, income received from the lease is 20% for two schools, while 10% - for three schools. 102 schools have a lease in the districts. From the inquired schools, revenues of 15 schools fluctuate between 4-10%, 74 schools – between 1-3%, while income of 30 schools gained from the space lease is from 0.03% to 1%.

62 schools specify other sources of funding of schools, out of which 35 are located in villages, 3 – in lowland, while 24 – in cities. Other type of income mainly comprises of bank interest rate for the inquired schools (43.54%), out of which 18 are located in villages, 2 – in lowland, 11 – in cities. 14 Tbilisi and 10 village schools indicate at revenues received from the existing circles on the school base. Several schools also name both – bank interest rate and revenues from out of class circles as additional income for schools.

An extended class is also functioning on the base of one village and one city school, representing additional income for the school. The subsidy received from the state and designated for the specialized schools was also named as other revenues.

As we noted already, the questionnaire also included the question on distribution of expenses. While answering this question, it turned out that principals have no clear understanding how the expenses in their schools are distributed between different type of expenditures. Accordingly, while calculating the expense, we had to analyze only those questionnaires, where replies were sharply and clearly laid out. Answers of the 31st questionnaire

are not taken into account in terms of expenses. Based on the principals' replies, distribution of expenses is done average this way:

1	Salaries of teachers	71.85
2	Salaries of administrative technical personnel	11.61
3	Communal expenses	4.89
4	Repair and infrastructure related expenses	3.71
5	Teachers' professional development expenses	0.73
6	Teaching material expenses (books, stationery)	2.57
7	School inventory expenses (benches, blackboards, computers, projectors, laboratories)	2.20
8	Purchase and/or maintenance expenses of transport facilities/transportation	0.15
9	Bonuses and promotion of teachers	0.93
10	Bonuses and promotion of administrative-technical personnel	0.69
11	Other (indicate)	0.66
total		**100%**

Table 46: Average indicator of expense distribution by categories

Besides revenues and expenditures, based on the principals' inquiry we also wanted to clear up what type of needs do the schools experience; in the conditions of additional income, principal would assign priority to this type of redistribution. To the question "**in the conditions of additional income, on what priorities would you spend additional funds**?" We asked principals to prioritize the articles. 24.8% assign priority to expenditure made for repair works and infrastructure improvement. Purchase of teaching materials was named as second priority. For more than 15% of principals, purchase of school inventory and equipment is quite important. For 10.4%,

in case of having additional finances, teachers' promotion and bonuses would be of priority. 9,6% of principals speaks about significance of additional funds for out of class cultural, sports and education activities. Staff training is a priority for 8% of principals. Expenditure distribution by priorities is given in the below table.

Priority	In the first row	In the second row	In the third row	Average
a. Bonuses and promotion of teachers	10.9%	6.9%	8.3%	10.4%
b. growth of administrative technical personnel, bonuses, promotion	0.9%	5.8%	6.9%	5.4%
c. Communal expenses	1.9%	1.2%	2.5%	2.2%
d. Heating and fuel/raw material expenses for this purpose	3.2%	3.7%	5.1%	4.8%
e. Repair and infrastructure related expenses	33.8%	18.5%	10.4%	24.8%
f. staff training/retraining	9.3%	6.7%	4.4%	8.1%
g. purchase of school materials (books, stationery)	3.0%	20.1%	18.1%	16.3%
h. Expenses linked to organization of cultural, sports, educational measures	3.0%	7.2%	14.1%	9.6%
i. purchase of school inventory (benches, blackboards, computers, projectors, laboratories)	6.9%	14.4%	18.1%	15.6%
j. purchase and/or maintenance of transport facilities/transportation	0.2%	1.9%	0.7%	1.1%
Other		4.4%		1.74 %

Table 47. Principals' priorities in the conditions of additional finances

As the table shows, 1.74% of principals assigned priority to article "other" among existing articles. While indicating priorities "other", we asked principals to specify what would be priority for them in case of additional funding. Below the table shows those regulations and frequency of their

repetition that were revealed by the inquiry. Promotion/awarding of students would be a priority for principals as well as construction of open pitches and gyms. Actually, in some cases, the specified regulations within "other" priorities partially coincide with specifically written down priorities, though as principals decided to separate and underline them, these priorities are also given in the table separately.

Other priorities	**Number/answer**
New building for school	2
Open and closed sport stadium	3
Computer classes	1
Business trip expenses	1
Educational service	1
Students' promotion	4
Yard arrangement, fencing	2
Purchase of required equipment for inclusive students	1
Class division is desirable	2
Growth of teachers' salaries	1
Education measures, free of charge educational and recreational courses	2

Table 48: Other priorities named by principals

The questionnaire also included question on freedom of disposal of expenditures. In particular, there was a question in the questionnaire how well did the principals fulfill recommendations or instructions on making specific expenses. Answers to this question have been distributed as follows:

Do you have any type of verbal instruction or recommendation from the Resource Center or Ministry, what kind of activities or resources you are going to purchase and spend part of the amount from the received funding		%	Quantitative distribution
1	No	73.38	317
2	It was in the past, does not happen now	3.94	17
3	Only re separate issues	6.94	30
4	Yes	15.28	66
5	Don't know/don't remember	0.46	2

Table 49: Distribution of answers to the question

77.2% of the principals states that similar instructions don't exist or they got them in the past and don't receive now. 22,2% states that they have received similar recommendations or have received re separate issues. Therefore, they specify the cases when they received verbal instruction or recommendation on distribution of funding. The table shows well that main instructions are related to presentation of repair works and orders (15.9%), principals also name instructions for distribution of salaries on administrative and technical personnel. Data on distribution of types of instructions are given in the below diagram:

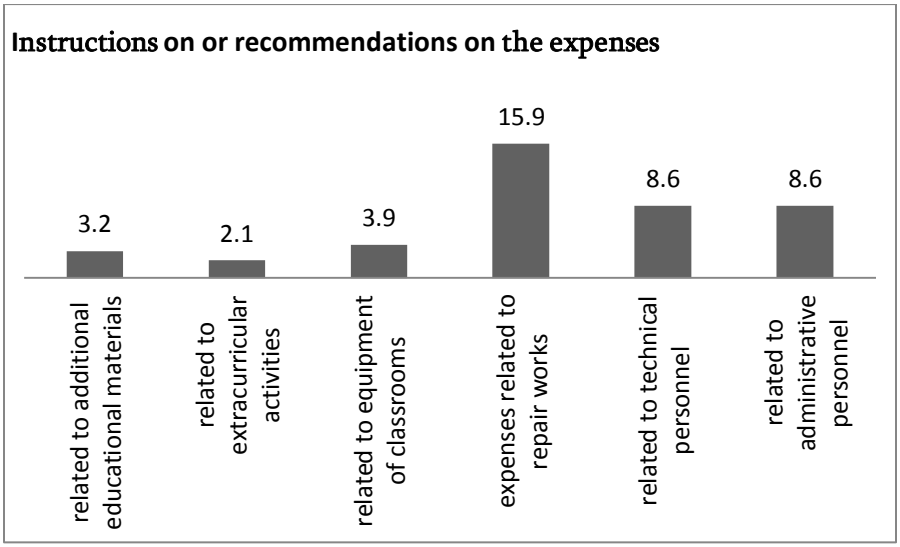

Diagram 31: Verbal instruction or recommendation regarding type of expenses

As diagram shows, majority of principals receives instructions on the expenses related to repair works (15.9), principals receive similar instructions in equal amount regarding administrative and technical personal expenses (8.6). Instructions are less in case of expenditures for organization of additional educational resources and out of class activities. In real, 57.7% of principals underline "other" types of instructions for distribution of expenditures; they specify that mainly instructions are about infrastructure development; in particular, the schools should not spend more than 3% on this. Below is given those "other" instructions been observed in separate cases, including the instructions given to the principals to save funds at maximum.

Other instructions	Number of replies
On communal taxes	2
Instruction re transport. We hired a car for English language teacher who was coming from another village.	1
Fuel-heating	1
Organization of Olympiads	1
Teachers' salaries. Resources exist for increasing salaries but not permitted	3
Saving funds at maximum	1
Only 3% should be spent on infrastructure development	4

Table 50. "other" instructions re expenses of the Ministry of Education and Science named by principals

School funding and equality issues

One of the interesting things of the research was listening to principals' opinions regarding equity of the funding system and ensuring equality for schools via this system. To the question how well does it provide equal opportunities for all schools in terms of finances, principals' answers were distributed as follows:

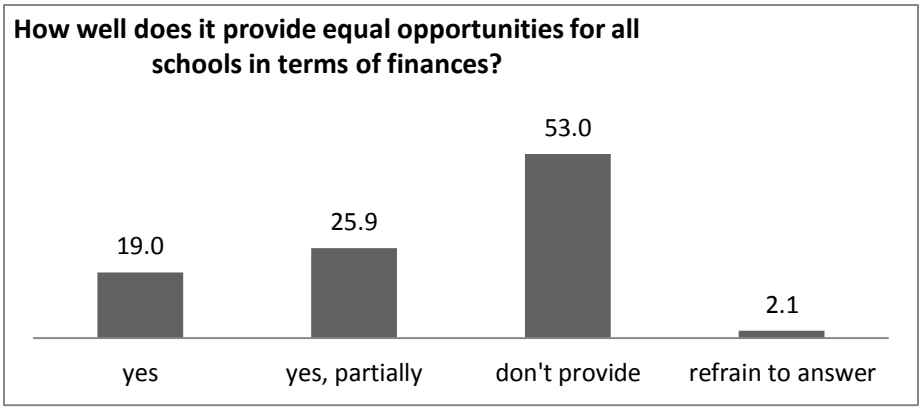

Diagram 32: Distribution of answers to the question on equality of schools

It should be noted that more than half of principals considers that the existing funding system fails to create equal opportunities for all schools. More than quarter of the inquired principals thinks that the system only partially creates equal opportunities. The fact itself that ¾ of the principals does not see the equality ensuring mechanisms within the school funding system, is worth considering. Presumably, when all schools and accordingly principals of all schools are equally responsible for ensuring national goals of general education and fulfillment of national curriculum, attitude of principals towards unequal conditions of schools could negatively be reflected on fulfillment of national curriculum objectives and tasks. This assumption derives from open answers of principals that quite often include opinions on equal responsibility and unequal financial maintenance. Opinions expressed regarding equality in schools is discussed in details below.

To better understand what specific factors have an impact on the funding system, we included all those main factors/issues in the questionnaire that could be linked with effectiveness of the funding system.

The question on factors was discussed in negative and positive contexts and enabled principals to mark such factors in the questionnaire in compliance with their impact/significance:

The question on negative factors included the factors impacting the funding system and was put in negative aspect. Answers to this question were distributed as follows:

		Is not relevant for my school	Absolutely not functioning	Is functioning though insignificantly	Functioning normally	functioning well
1	Individual funding of schools (funding is not calculated based on the formula 1-169 students)	31.7	41.2	9.5	10.2	7.4
2	Location in village/lowland	21.1	51.4	11.3	9.5	6.7
3	Location in cities	62.3	31.7	2.3	2.8	0.9
4	More than one building	58.1	28.5	3	6.5	3.9
5	With two or more sectors	76.9	20.4	0.5	1.6	0.7
6	School in highland area	60.2	26.2	3.2	5.3	5.1
7	Have more 9-12 grade students	42.6	42.8	7.6	5.8	1.2
8	Have more 1-8 grade students	26.9	50.9	13.2	8.1	0.9
9	Have Students with Special needs from 1 to 6	73.1	25.9	0.5	0.5	0
10	Have Students with Special needs students from 7 to 13	73.1	25.9	0.5	0.5	0
11	Have Students with Special needs students from 14 to 23	75.9	23.8	0.2	0	0
12	Have more than 23 Students with Special needs	75.9	24.3	0.2	0	0
13	Actually, heavy financial condition is not caused by one factor, but several factors in complex	65.3	10.0	5.0	9.5	10.3

Table 51: Redistribution of answers on negative factors impacting the funding system

Based on the replies, majority of principals considers none of the above listed factors as essentially negative. More than 17% of principals assume that small school funding system which is not calculated based on the formula will have negative impact on their equal opportunities. In the opinion of about 20%, financial status of schools is not conditioned by one factor the problem is more within the

system. About 16% of principals see village and lowland schools and their funding system as an influencing factor on financial status of schools.

Based on the following question, we wanted to clarify whether principals consider that specific number of students and existing funding system actually result in effective operation of schools and what would be the optimal number of students in this case.

The table reflects distribution of principals' answers that shows that they don't have clear understanding on how many students would the existing system ne effective. Answers are distributed per all possible versions and no sharply outlined amount is given. It should be noted hereby that the highest percentage was observed in case of more than 400 students; accordingly, majority of principals considers this number of students as most relevant for effective operation in the conditions of existing funding.

	>20	**>50**	**>100**	**>150**	**>200**	**400+**	**600+**	**800+**	**1000+**	Possible in the conditions of only additional funding
Absolutely irrelevant	67.1	53.2	40.7	38.7	41.4	41.0	46.1	50.5	53.2	54.6
Partially irrelevant	6.5	17.6	20.4	18.5	17.1	15.5	11.3	9.5	7.2	4.6
Absolutely relevant	5.3	8.8	19.7	23.1	20.8	25.7	23.1	17.4	15.7	16.7
No answer	21.1	20.4	19.2	19.7	20.6	17.8	19.4	22.7	23.8	24.1

Table 52: Distribution of answers regarding optimal number of students

It should be noted that 24.8% of principals discusses other version as the most effective for operation of the existing funding system.

One of the questions also covered evaluation of compliance of ratio of school personnel and students. Principals' answers to this question are given in the below diagram:

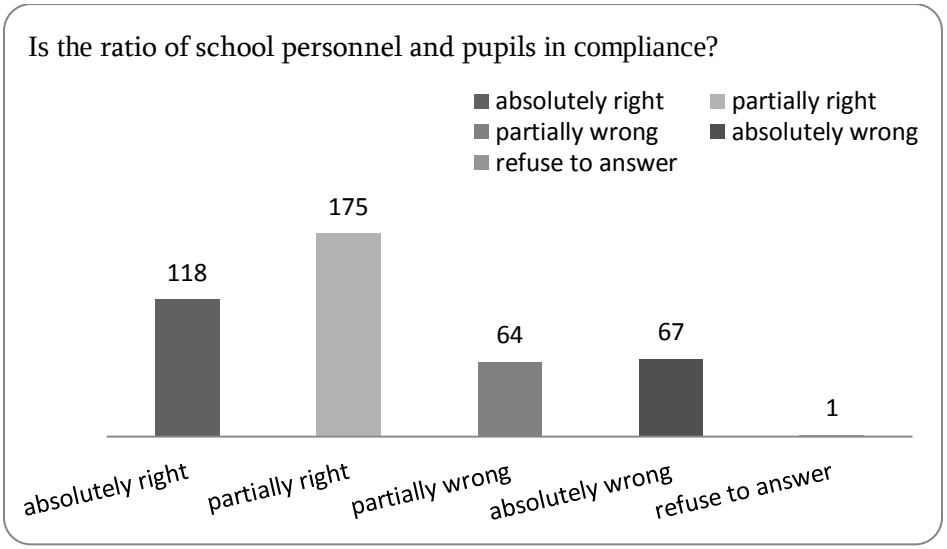

Diagram 33: Answers of principals regarding compliance of number of students and school personnel

Principals who assume that funding and personnel redistribution system is in less conformity with the number of students, give their arguments in the following question. Despite the fact that more than quarter of principals thinks that funding and school personnel distribution is in absolute compliance with number of students, 374 principals name particular problem in one specific or several directions. The comments often reflect insufficient number of technical personnel in school and principals consider it inappropriate to calculate number of technical personnel according to number of students. In their opinion, the direct dependence of personnel salary on number of students is incorrect, as, small quantity of students has no correlation with less activity of the administration. Principals also raise the issue of school's authority to convene experts from different fields and professionals if funding allows. Principals also speak that the existing system gives no opportunity to protect the recommended ratio of students and teachers and in some cases students in one classroom exceed the recommended number. Principals often recall lack of pedagogical personnel.

In their comments, principals note insufficient funding for gas heating. In an open question, principal indicates: „I don't understand what kind of system this is. Supplements are separately, they have thousands of measurements but still the funding is unequal. There are some schools that have insufficient funds, while the others don't know where to spend money, it comes out that the system is not good".

The questionnaire also included question on possible limitations linked to attraction of additional funds and out of 432 principals, only 10 (2.3%) indicate at limitations. To the question on the obstacles in purchases, 7.2% of the principals speak on similar limitations, while 92.1 principals states that they don't not have these limitations. Principals speaking on specific limitations re purchases bring those particular cases, when similar limitation occured. Principals indicate that the main problem is related to necessity of presentation of purchases to Ltd. Though, it is quite difficult to find such sellers in villages. Principals also speak on necessity of arriving in Tbilisi for each purchase; this is quite expensive and requires additional time. One of the principals also speaks on belated transfer of funds from the Ministry that complicates the purchasing procedure. Principals note that local companies don't have a desire to participate in tender proposals, also outline the internet linked gaps in tender proposals and the discomfort related to introduction of fixed price for purchase of goods or service.

Questionnaire for principals also included the question on the component, funding of which was impacted by the amendments made to 2013 year funding system. Below given table gives distribution of principals' answers according to the first three priorities. The table clearly shows that majority of principals (44.3%) considers that the amendment impacted on the change of total number of students. 25.7% considers that the changes to the funding

system has special impact on funding of 1-8 grade students, while almost 20% (19.9) thinks that the funding had more impact on 9-12 grade students, 11.6% links the changes to the location. 15.3% considers that the new funding system most importantly influenced funding of inclusive students. 16% has difficulties in answering the question. See table below.

Component	Serious impact	Average impact	More or less impact
Having several sectors	15	2	3
Having several buildings	35	12	3
Total number of students	117	56	18
Distribution of students in 1-8 grades	45	45	21
Distribution of students in 9-12 grades	15	39	32
School location	10	24	16
Number of inclusive students	40	19	7
Cannot answer/don't know/don't remember	69	0	0

Table 53: Distribution of answers to the question on component, on funding of which had impact the amendments made to the 2013 year funding system

Principals' questionnaire also covered the question on those factors that were especially negatively influenced by the new funding system. The below table reflects answers of principals per each factor. It should also be noted that more than half of principals (57.17%) states that the new system had negative impact on none of the factors. 12% of principals assumes that to some extent, the change made in the year of 2013 exerted negative impact on professional training of teachers, while 8.8% thinks that the negative impact is linked to searching for additional supportive learning materials. In the

opinion of 10%, the changes have negative impact on maintenance/keeping of premise/buildings and school inventory. 20,4% considers that the new funding system had extremely negative influence on repair works of different quality in schools. In the opinion of 11.8% of principals, the new system negatively reflected on purchase of new office inventory for school, while 6.7% considers that the new funding system had negative impact on provision of additional lessons and circles for students as well as payment of communal taxes and heating. 6.9% thinks that the new system has negative impact on issuance of adequate salaries for personnel.

Factor	Distribution of answers
Professional development of teachers	12.0%
Search for additional learning materials	8.8%
Maintenance/keeping of premise/buildings and school inventory	10.0%
Repair of premise/buildings/rooms	20.4%
Purchase of new office inventory for school	11.8%
Additional lessons and circles for students	6.7%
Communal taxes, payment for heating	6.7%
Giving adequate salary to personnel	6.9%
Did not cause negative change	57.4%
Rejected to reply	5.1%

Table 54: Distribution of answers on those factors that were especially negatively impacted by the new funding system

To the question "In your opinion which factor was changed successfully in funding from 2010 up to 2013?", the answers were distributed as follows: 43.1% of principals considers that changes are remarkable, 35.2% thinks that changes are not so remarkable, 15% assumes that little changes are made, in the opinion of 5.4%, actually there has been made no change. 0,5% negatively assesses the made changes. In whole, 55,5% of the principals

don't consider the conducted changes in 2010-2013 effective or sufficiently effective.

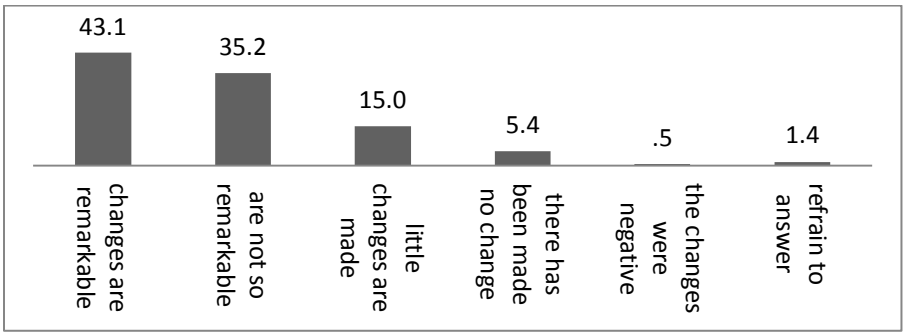

Diagram 34: Distribution of answers on changes conducted in 2010-2013 within the school funding system

Based on the questionnaire we also wanted to clear up opinion of principals regarding funding of specific factors or those changes made in 2013 within the schools' funding system. Answers are given below to the question "In your opinion, which factor was successfully changed in funding from 2010 to 2013?"

Factor		Distribution
1	funding (with -170 student schools that are not attached to the number of students)	11.15%
2	Voucher defined for 1-8 grade students	5.36%
3	Voucher defined for 9-12 grade students	4.45%
4	Basic funding, which, apart from voucher, is transferred to schools' account	5.09%
5	Coefficient allocated by location	2.68%
6	Coefficient allocated for additional building	2.20%
7	Coefficient allocated for additional sector	0.64%
8	funds beyond school funding allocated by teacher's certification and subject indicators	8.63%
9	Funds allocated according to number of students with special needs	6.22%
10	Other factor (specify)	17.20%
11	No positive change received	1.34%

Table 55: factors that were influenced by the conducted changes to 2010-2013 year funding system

Majority of principals evaluates funding of schools with small quantity of students positively as well as improvement of voucher funding by classes -in total, 9.9% speaks about it. The third, most frequently named positive improvement is teachers' additional funding system – 8.63%. Principals also often speak about other factors.

It should be noted that while listing "other" factors, principals mention not positive, but problematic sides and consider existence of several sectors as a weakness of funding system in their open questions. Part of principals also speaks about the tendency when schools are in worse financial condition, when students are at the edge of non-voucher funding. Principals also think that actually the listed problems existed earlier as well and nothing has

changed in this regard. In the opinion of principals, despite the positive side of the inclusive education, the negative factor is that the schools have no sources to keep specialists for students with special needs.

The questionnaire also included specific questions on expenditures that previously presented quite an obstacle for part of schools. To the question "Did you manage to pay school heating or other communal taxes for the following 2 winter seasons?", answers were distributed as follows:

	Specific season	yes	no
1	2011-2012 year (winter season)	97.2	2.8
2	2012-2013 year (winter season)	96.5	3.5

Table 56: Distribution of answers re heating issues by years

Principals were also asked to specify what the reason of the delay was. Based on the answers, it is clear that the obstacles are connected with financial problems:

Answers
Did not have funds (80%)
Central heating system installed in school led to growth of communal expense.
The school is envisaged for 1300 students, vouchers are transferred accordingly, school area is more than the number of students
The ministry paid but funds are insufficient
Sufficient amount is not given for school heating, we asked for 5000 gel and they transferred 2000.
Small quantity of students and vouchers
Have difficulties in payment of communal taxes (especially firewood and diesel)
Due to heavy snow, failed to bring in firewood, but education process was not delayed
Budget funds were not enough and payment was made from the remainder, though this year does not give this opportunity
Due to gas heating

Table 57: Particular answers re school heating related problems

School principals also answered the question how the current problem was resolved.

Problem solution	Nr
Local self-governing body paid	1
Had no funds and the Ministry helped us	5
During Shashkin period, communal taxes were covered at the expense of salary reduction (Shashkin told us to take out of pocket and pay communal this way, so we obeyed)	1
Parents brought firewood	1
Private sources	1
Now we pay according to schedule	1

Table 58: Particular answers re school heating relation problem solution

The questionnaire also included the question on changes to school management as a result of the renewed formula. Answers are given below:

Yes	39.1
Yes, partially	23.1
No	34.0
Rejected to reply	3.7
Cannot answer/don't know/don't remember	5

Table 59: Distribution of answers to the question "whether the renewed formula brought a change to school management or not?"

Along with change to funding formula, 62.2% of the principals speak about the made changes or partial changes. Accordingly, 253 principals explain what types of changes were made in this regard. 78% of the principals speak about growth in salaries and staff. 3% indicates at adding special teachers to schools for inclusive education. Principals also speak about administrative staff reduction (7.5%). They note growth or decrease of technical personnel (6.7). About 4% of principals speaks about infrastructure related issues and links this issue to sufficient or insufficient number of personnel.

The question in the questionnaire was about the impact of formula on school independence. To the question "whether the renewed formula increased school autonomy or not, ¾ of principals give positive reply. More than half of this considers that independence increased, while about 20% says that it partially increased. (see table)

Yes	54.4
Yes, partially	19.4
No	24.3
Rejected to reply	1.8

Table 60: Distribution of answers re improvement of school independence

We also asked principals to specify where they do feel more responsibility. Replies are quite homogenous and mainly stress independence during budget

planning and disposal. From 262 replies, 4 principals note that even earlier were observed no limitations and still not seen under the renewed formula.

In the end, we gave open question to principals on the gaps within the funding system. 373 principals answered this question. 10.2% percent of principals note that this funding system has no gaps, 34.8% of principals focuses on lack of funding. 16.3% of principals speaks on non-relevance of voucher system and considers that funding of school should not depend on the number of students. 7.8% of principals speaks about ineffectiveness of complect-classes, 11.8% names lack of funds as main reason for absence of staff and accordingly the low quality of teaching. 18.5% of principals name several gaps simultaneously: lack of funding results in complect-classes, obstacles in payment of communal taxes, lack of teachers and technical and administrative staff. About 10% of the replies focuses on individual cases or makes short comments, like for example amortized building, necessity of repairing sports halls, lack of funds and resources for out of class activities, absence of laboratories, etc.

To conclude, we may note that majority of principals has specific opinions regarding the funding system, though sharply defined attitude towards specific aspects is absent.

Professional development of principals

197 of the inquired principals is certified, while the rest- noncertified, also 304 principals have gone through professional training needed for certification exam, while 102 principals don't have. 26 principals evaded the question. To the question if they consider different trainings required for professional development, 357 principals state that they need the trainings,

51 of them does not see the necessity of trainings, while 24 principals evades the question.

To the question "**do they need retraining/development of additional skills or knowledge for effective management of school budget and attracting additional finances"** 88.7% of principals (383) states that they need similar trainings, while 11.3 percent (49 principals) rejects such trainings.

	Budget planning, budgeting	Procedures related to purchases	Expenditures forecast and/or analysis	Financial management	Monitoring of income and outcome	Searching for the funds	Effective disposal of finances	Financial accounting	Principles of school funding system
Refrained from answer	7.1%	10.2%	10.2%	13.4%	12.4%	9.5%	10.8%	13.4%	12.9%
Would not be of help	11.1%	13.0%	20.4%	11.1%	13.0%	13.0%	1.9%	9.3%	7.4%
Would be helpful	17.1%	12.7%	13.1%	7.7%	9.3%	12.1%	11.1%	8.5%	8.4%
Quite needed	18.9%	12.0%	9.9%	6.9%	8.0%	17.2%	13.8%	5.3%	8.0%

Table 61: Distribution of answers re necessity of developing additional skills

As for specific skills for effective financial management, highest percentage of principals assume that improvement of skills in budget planning is of top priority (36%), while almost 30% of principals consider that raising the level of skills in attracting the funds is required. Principals also emphasize importance of fund disposal skills (24.7%) and better knowledge of purchases-related procedures (24.9).

Apart from specific knowledge and skills related to effective management and disposal of finances, with the help of the questionnaire, we also wanted to determine the types of competencies considered useful by principals for

improvement of effective school management skills. Below table gives principals' answers by priorities, where number 1 is top priority while number 6 – less priority:

Issues	1	2	3	4	5	6	No answer
Time management	17.8	14.6	13.2	12.5	12.0	2.8	27.1
Foreign language (English)	15.3	13.0	13.7	10.0	8.8	5.6	33.8
Proposal development	20.4	21.8	15.0	9.5	9.7	2.1	21.5
Negotiation skills	6.7	12.0	12.3	16.9	13.9	3.0	35.2
Modern communication technologies (social network, online applications, e-conference organization and participation, blog development and administration, etc.)	21.3	17.1	17.6	10.2	9.5	1.4	22.9
Negotiation and conflict management	4.2	6.0	10.6	14.1	16.0	6.9	42.1

Table 62: Distribution of answers re necessity of development of additional skills in indirect contact with financial management

The table shows that most of all principals wish to expand their knowledge in modern communication technologies, though they also desire to improve their skills in development of proposals. The third priority skill for principals is time management. Principals also could fix their priority in version "other", where following opinions were observed:

„A school for principals to learn everything including management, to avoid unnecessary problems and so many exams."

„Management model, targeted system on children support needs. Master training in Estonia, management of similar school"

„State language" - 2 principals

Thus, principals are ready for development of professional and general skills and sharply distinguish the issues especially effective for their successful professional activity.

General issues of school management

Last section of the questionnaire covered general issues of school management and focused on the issues like financial management and disposal share in principals' total activity, those obstacles that have negative impact on school management, etc.

Answers were distributed as follows to the question "As a school principal, throughout the whole academic year, how much time do you spend on fulfillment of the below tasks in school?"

Internal administrative tasks, includes human resources/personnel issues, regulations, tables	30.6
school financial issues (prioritization of expenditures and planning, school budget)	6.9
Curriculum and learning related tasks (covers teaching, preparation of lessons, inter class observations, consultations with teachers)	53.2
Meeting the demands of local, state and national educational employees	3.5
presentation of schools at public meetings	4.2

Table 63: Distribution of answers re redistribution of time by principals on different tasks

Principals dedicate more than half of the full time to the curriculum and teaching-learning related tasks. Principals spent about 30% of the time on the internal administrative tasks that cover human resource management issues. They dedicate 6.9% of the time to financial issues, 3.5% to relations with central, regional and local level education bodies, while 4.2% on presentation of schools at public meetings.

Evidently, this distribution of principals' activity is conditional and does not precisely reflect the correlation between different aspects of principals' activity. For example, while working on questionnaires, principals were asked to bring several examples on school presentation at public meetings, this turned out to be quite difficult in some cases. On the other hand, open

questions of the principals often emphasized discontent regarding different financial issues, including business trips to regions or the capital for purchases as well as lost time and money. Also, it is hard to analyze how sharply are human resource management and development issues separated from financial operations that are connected with remuneration of the same personnel, though, in whole, share of time distributed among different activities in the questionnaire reflects the attitude that principals experience towards priorities of each aspect of their activity.

Next question was about the factors that could result in delay of the learning process.

Answers distributed as follows:

	Lack of qualified teachers	Low salary of teachers	Insufficient funding	Lack of laboratory equipment	Lack of support personnel in the learning processes	Lack of other support personnel	Lack of learning materials or inadequacy	Lack of computers	Lack of other equipment or inadequacy	Lack of library materials or inadequacy
No impact	31.9	16.0	29.4	11.8	29.4	37.7	22.0	37.0	25.0	25.2
Small impact	19.7	21.1	17.6	12.5	21.8	22.0	20.6	20.1	20.8	20.1
Somehow impacts	36.1	43.8	32.4	22.2	26.9	27.1	40.0	26.4	33.1	31.9
Strong impact	12.3	19.2	20.6	53.5	22.0	13.2	17.4	16.4	21.1	22.7

Table 64: Distribution of answers to the question re the factors that cause delay in the education process

The answers clearly show that majority of principals consider lack of school assets and equipment, adequate learning environment as the main obstacle

(laboratories and machinery 53.5, library 22.7, various equipment 21.1). It should be noted that despite the fact that insufficient funding was given as one of the possible versions in this specific question, principals still made emphasis on specific factors. The highest percentage to the version "somehow it impacts" falls at low salary of teachers (43.8), lack of learning materials (40), lack of qualified teachers (36.1). 37.7% of principals think that lack of support personnel does not hinder the learning process.

In the end of the questionnaire, principals had a chance to lay out opinions not included in the questionnaire. 103 principals expressed their opinions regarding the open question. Answers are diverse and describe specific needs of a particular school, including amortized or those building that really require repair works, also delays in specific financial activities due to documentation submission or obstacles in the production process. Actually, mostly talks are about insufficient funds linked to quality of education, lack of personnel, insufficient salaries, inadequate learning environment, outflow of students, heating problems in winter, absence of special teachers for inclusive education. In this regard, the open question turned out to be interesting, as principals in this case managed to focus easily on those problems characteristic to their specific case and often are similar. Comparison of the information received from the questionnaires and its synthesis to other results of research gives opportunity to make final conclusions and relevant recommendations.

Chapter 8. Recommendations for Policy Improvement

The research revealed important gaps and challenges as well as improvements in general education funding system of Georgia. It is crucially important to implement policy changes in schools voucher funding system to fill the gaps and tackle the existing challenges. Specifically:

The main problem is a gap between an educational policy and funding. The state funds non-Georgian schools, mountainous schools, village schools, small size schools without changes and improvements in quality of education and instruction in these schools. The absence of linkage between the funding and educational reform is the main challenge of educational system of Georgia. Structural, institutional and instructional reforms are needed to fill the gap between the academic achievements of students and create equal educational opportunities.

Analysis of the education statistics shows the problems of in the system of education and science financing, including a vulnerable financing situation in general education. In order to get closer to the international, European and world standards public spending on education should minimum double and increase along with progress in GDP. This is a necessary precondition for launching real and effective reforms in the field of education and offering high-quality education to students. At the same time, before increased financing, all available and limited financial resources should be used wisely and most efficiently

The research revealed three the most crucial problems of funding formula and the recommendations are based on research findings in these three directions:

(a) The funding of private schools;

(b) The funding of non-Georgian schools and sectors;

(c) The calculated funding of small schools with 1-169 students

Below is provided the recommendation in each direction and their linkage to research findings and results:

Private School Funding:

1. The promotion of development of private schools and elaboration a need based model for private schools funding; the research revealed that there are huge difference in tuition fees of private schools. In the form of the public voucher for each student enrolled, high tuition schools receive additional funding which does not have any impact on the tuition fee paid by the parents. Therefore parents and students do not benefit from the public money allocated to each student. This public funding is an additional income for private schools. This additional funding does not contribute to the development of private schools either, as given to high tuition, these schools are already very developed and do not need any additional assistance from the state. At the same time, the state voucher is very low for regional private schools with low tuition fee. The small state funding does not allow the private schools to be developed in the regions of Georgia;
2. The introduction of top-up funding model for private schools and improve the opportunities for school choice of parents through increasing the share of state funding of private schooling. The research revealed that the current system of financing does not create

favorable conditions for creating competition among the private and public schools and eventually improving high quality in both private and public schools. Private schools in the regions are less competitive as compared to public ones and the situation is quite different in Tbilisi. The public schools are less competitive as compared to private ones. Accordingly, there is almost no choice for parents for private schools. The situation for absolutely different at the beginning of the reform. The funding of private schools was higher and the same as funding for public schools and tuition fees of private schools were much lower compared as tuition fees today. Accordingly, parents cannot afford to choose private schools for their kids due to financial constraints;

3. Promotion of establishment of free or charter schools in Georgia. The schools will be provided with state voucher and low leasing agreement for school space and will be managed as semi-private schools. The policy is especially crucial for the regions of Georgia to strengthen the privatization of educational services and schooling in Georgia The recommendation is based on research finding, specifically: There are small-size schools in cities, including large urban cities. Number of students in such schools does not exceed 60 (For example, Batumi School # 31, Tsalenjikha schools # 6 and 7, Bolnisi School # 2, Akhaltsikhe School # 4, Borjomi Likani School and others). Such schools require quite solid funding.. There are other schools both in Akhaltsikhe and Bolnisi with more student accommodation capacity. The small number of students in city schools mostly comes from the perception of the parents about the low quality of teaching in these schools. Parents try not to send their kids in these schools. By vacating building of the schools to private

sector could be also supported. For example, private schools, or if respective decision made, charter schools could be opened in these building and it can improve the quality of teaching in these schools as well as can promote the development of private sector in the regions of Georgia.

The calculated funding of small schools with 1-169 students

1. The optimization of expenses in schools with students from 1-169 and optimal management of above-mentioned schools; The research revealed that state allocates a lot of money in such schools without any effect (Per student funding annual equals 8000 GEL in some schools). The main problem is a gap between an instructional reform and funding. The state funds small size schools without instructional changes and improvements in quality of education and instruction in these schools. The structural, institutional and instructional reforms are needed to fill the gap between the academic achievements of students and create equal educational opportunities;
2. Introduction of transparent system of funding of schools with students from 1 to 169. Elaboration the transparent and measurable criteria for funding theses schools and eliminate the disparities in funding. The research revealed that the schools getting calculated funding are not funded equally. Some schools are overfunded, while others are underfunded. These schools have almost the same number of students, have the same geographical location, language of instruction, number of building and students distribution among different grades.

Funding of non-Georgian Schools

1. The introduction of bilingual education criteria in funding system of non-Georgian schools and non-Georgian sectors. The coefficient should be calculated and additional amount should be provided to schools based on their needs to design and implement bilingual educational programs and thus respond the linguistic needs of their students. Government of Georgia provides additional funding for linguistic needs of minority students. Non-Georgian schools receive 1,13 coefficient of standard voucher and non-Georgian sectors receive 1,14 coefficient of schools voucher. The study revealed important challenges for voucher funding system for non-Georgian schools. The additional amount is not properly used for linguistic needs of minority students and facilitation of teaching of state language as well as implementation of bilingual educational programs by non-Georgian schools is still an important obstacle. The non-effective usage of additional finances from non-Georgian schools is confirmed by schools exit exams results as well as the results of general skills exam at university entrance exams.

The improvement of Management of Funds by Public Schools:

1. The promotion of school autonomy in fund raising and budget spending. To simplify bureaucratic procedures of procurement, make transparent, clear system and easily manageable system of procurement. The study shows that when schools receive

additional funding or have savings from per capita student financing they encounter the problems of their spending. In addition, due to procurement procedures, quite often schools are not able to purchase desirable product. As a result, instead of spending resources on the needs of the school they start accruing their unused financial resources. This issue is particularly problematic for rural and mountainous schools;

2. It is recommended that additional 3 % of the annual budget is provided as free resources to those schools which fully spend the allocated resources (provided that essential spending is thoroughly calculated). At the same time, each school should present a detailed spending proposal with timeline of the additional financial resources. This will enable schools to meet their needs. At the same time, the ministry will receive information about the potential changes to be introduced in the system of education financing. Such approach will address the issue of irrelevant amount of remnants in certain schools. Those schools as well who have quite high amount of remnant should be also requested to submit proposal on cost-effective spending
3. Development of the system of Teachers Salary Ranges based on Monthly Expenses Rate of particular region;
4. Development the criteria for school administration. Eliminate the bureaucratic procedures of approval of school personal and salary fund. Grant more autonomy of schools to use the own revenues for increasing administration and teacher's salaries;

5. It is recommended that number of personnel is defined not only by the number of schools, but by the area and number of the building in the school
6. The introduction of special programs for IDP and socially vulnerable students based on their needs;
7. To improve the capacity of schools on inclusion of students with disabilities.
8. The research has been revealed that schools with 1270 and more students have the higher remnant compared to small size schools. It is important to recalculate the amount of basic funding for each category of schools to put them in equally competitive condition for development.

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Diagrams and Tables

Tables:

Diagrams:

Annex 1/ Principal's Questionnaire

School principals Questionnaire №

April, 2014

For the interviewer! Please read the following text to all respondents separately!

Hello, I am the representative from the Center for Civil Integration and Inter-ethnic Relations (tell your name). The organization conducts the research of Education financing system and equity in Georgia funded by USAID in the framework of the EWMI's program G-PAC. In order to getting feedback from you we look forward to your honest responses, which will help us a lot to find out more about the issue. Your participation is not obligatory and if you agree to participate in research, you will be able to refuse to answer the certain questions. In order to not to manage the identification of the certain views of each school principal, the information you will provide us will be generalized in the final research report, as well as the views of all other school principals who participate in the research. The Center for Civil Integration and Inter-ethnic Relations will be guided by the law of Georgia on official statistics. According to 4th article of this law CCIIR will strictly defend the confidentiality of respondents. More specifically, all the responses and information provided by them will be confidential, which means that only researcher, research administration and several employees will have access to the respondent's private information and her/his views. The answers to the open questions will be used only for: (1) the deep study of the certain issues.

(2) the assessment of the issues in terms of country interests. In the case of share the research results to the third person, the personal information of the respondent and all the findings will be closed (codified).

The interview will last approximately 30 minutes

Can we start the interview? - Thank you!

Interviewer's name: .....

Date: .....

Start time: .....

End time: .....

G.1. School contact details:

1	Region		***Code***	
2	District		***Code***	
3	School name		***Code***	
4	Address		***Code***	
5	Tel.			

G.2. Amount of teachers and students

		Total amount			
1	Students				
2	Teachers		women		
3	Certified teachers				

G.3. School Type *(several code is possible in each column)*

Type of building	A	**Difficult to reach**	D	**Which classes are at school:**	F
Several buildings	1	Yes	1	Only 1-6	1
One building	2	No	2	7-12	2
According to language of education	B	**Type of settlement:**	E	1-9	3
Georgian	1	village	1	9-12	4
Non-Georgian[1]	2	Small town	2	1-12	5
School infrastructure:	C	city	3	Other_____	6
Students with Disability	1	other_____	4		
Specialized (school profile)	2				

[1] Non-Georgian is a school where according to the Curriculum at least one sector is non-Georgian

other _____	3				

G.4. Private Information about school principal

1	Name/Surname	
2	Gender	1. Male 2. Female
3	Tel. number	
4	Total experience of working as a school principal (years)	_____
5	When did you start working as a principal of that school?	Month _____Year _____

***Section A* Financial management and accountability**

A.1 which documentations does your school financial package consist of? (Please, outline all relevant documents through the intensity of the document submission)

	Name of the Document	Once a month	Once a quarter	Once a six month	Once a year	other
1	School budget (Annual, quarterly, monthly)					
2	School balance					
3	other (define more exactly) _____					
4	None of them					
5	Cannot define exactly					

A. 2. While presenting the documents how often do you have corrections from resource center?

Never	1
In some cases	2
Often	3
Always	4
Refuse to answer	5
Difficult to answer/don't know /Don't remember	6

A.3. how do you think which is the most convenient intensity of funding for better planning and using of budget(most convinient-1, the least convininet-4). Monthly or once in a two month, quarterly, annually or twice a year.

1. School funding model monthly or once in a two month	
2. School funding model quarterly	
3. School funding model once a six month	
4. School funding model annually	

A.3.1 Give an argument to explain your opinion :

A.4. Did you have remnant from previous two years?

1	Yes	→ A 4.1	1
2	No	→ B.1	2
3	Refuse to answer	→ B.1.	3

A. 4.1. Write the amount of remnant

A. 4.1.1. Did you have any problem for having remnant? Did you acquaint any problem for spending remnant according your point of view? (Please Specify)

_____

_____

_____

***Section* B: Description of financing system and its influence on the process and quality of school management**

B.1. What parts do your budget income consist of? Please fill each line. Write 0 if your budget do not consist any of the following source. Make sure that the whole income budget is 100%.

1	Voucher funding;	**%**
2	School has 169 or less students, specifically calculated fund for schools	**%**
3	Base funding	**%**
4	Grants;	**%**
5	additional bonuses to base salary for certificated teachers	**%**
6	Mobilized funding from local authorities;	**%**
7	funding from the graduate students	**%**
8	Donations	**%**
9	Parents Donations	**%**
10	Space Leasing	**%**
11	Other rent	
	Other (write)	
Total:		

B.2. What parts do your budget expenses consist? Please fill each line. Write 0 if your budget expenses do not consist any of the following source. Make sure that the whole budget is 100%.

1	a. Teachers' salary	**%**

2	b. Salary of administrative-tech personal	**%**
3	c. Communal expenses	**%**
4	d. Infrastructural expenses	**%**
5	e. Teachers' professional development expenses	**%**
6	f. Educational material expenses	**%**
7	g. School inventory expenses (blackboard, bench, laboratory etc.)	**%**
8	h. Transportation expenses (purchase or preservation)	**%**
9	i. Bonuses for teachers	**%**
10	j. Bonuses for administrative-tech personal	**%**
10	k. Other (write)	**%**
total:		

B.3. If you have the additional incomes, what will be your priorities for which you spend your money? (Please number your priorities, the most priority issue - 1 and etc.)

1	➢ bonuses for teachers	
2	➢ bonuses for administrative-tech personal	
3	➢ Communal expenses	
4	➢ heating costs or other fuel/raw material costs	
5	➢ Infrastructural expenses	
6	➢ preparing/training of specialists	

7	➢ Educational material expenses	
8	➢ Expenses for cultural, athletic and educational activities	
9	➢ School inventory expenses (blackboard, bench, laboratory etc.)	
10	➢ Transportation expenses (purchase or preservation)	
11	➢ Other (write)	
Total:		

B.4. Do you have any verbal instructions or recommendations given from the resource centers or the ministry about how to manage your school budget? (For instance, spend at least 2% of your school voucher on buying books or other educational resources etc.)

1	No	➢ C.1
2	not now	➢ B.4.1
3	only about certain issues	➢ B.4.1
4	Yes	➢ BB.4.1
5	don't know/cannot remember	➢ C.1

B.4.1 About what do you have the instructions? Fill the relevant lines

1	about additional education resources	
2	about non-class activities	
3	how to organize classrooms	
4	about the school repairs	
5	how many percent of salary should be spent on the tech personal	
6	how many percent of salary should be spent on administrative staff	
7	Other (define more exactly)	
8	Other (define more exactly)	

Section C : school funding formula and equity

C.1. Do you think that funding system provides equal opportunities for all schools?

Yes	1
Partially provides	2
Cannot provide	3
Refuse to answer	4
Difficult to answer/don't know /Don't remember	5

C.2. ***Indicate which factor has the most negative influence on your schools financial situation.***

		Is not relevant for my school	Has no effect	Has minor effect	rather effects	Effects strongly
1	School individual funding isn't counted according to formula (1-169 students)					
2	School is located in the village or small town					
3	School is located in the city					
4	Have more than one building					
5	Have two or more sectors					
6	Mountainous School (Geographical Location)					
7	Have more students in grades 9-12					
8	Have more students in grades1-8					
9	Have 1-6 students with special needs					
10	Have 7-13 students with special needs					
11	Have 14-23 students with special needs					
12	have more than 23 students with special needs					
	Not only a single factor but several in					

14	complexity makes difficult financial situation (explain) _____					
15	Other (define more exactly) _____ _____					

C.2.1. please, define more exactly what would be the optimal amount of students for maximal effective operation of your school in terms of current funding conditions?

		The number is absolutely irrelevant	More or less relevant	Absolutely relevant
1	>20 students			
2	>50 students			
3	>100 students			
4	>150 students			
5	>200 students			
6	250+ students			
7	400+ students			
8	600+ students			
9	800+ students			
10	1000+ students			
11	The effective management of school will be only possible if there are additional funding sources			
1	Other (define more exactly)			

3	_____ _____			
14	Difficult to answer			

C.3. How do you think is school funding or/and staff redistribution correctly categorized according to number of students? (*one answer)*

Absolutely correct	1	
Partially correct	2	
Partially wrong	3	
Absolutely wrong	4	
Refuse to answer	5	
Difficult to answer/don't know /Don't remember	6	

C 3.1.*please, give an argument to explain your opinion (mark one or more argument and case if it exists)*

_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____

C.**4. have you ever had any type of restrictions from ministry in terms of the fundraising?**

a. Yes		Continue to the question C.4.1	b.no		Continue to the question C.5

C.4.1. please, define more exactly what was your problem relating to the fundraising?

_____

_____

_____

_____

C.5. have you ever had problems in terms of purchasing?

Yes	**1**	➢ **C.5.1**
No	**2**	➢ **C.6.**
Refuse to answer	**3**	➢ **C.6.**
Difficult to answer/don't know /Don't remember	**4**	➢ **C.6.**

C.5.1. please, describe what kind of problem you faced and how you solved it?

_____

_____

_____

_____

C.6. which components were affected by the changes made in 2003 funding system?

(you can mark till five. write 1 to the component that is most influenced, 2 - to the less influenced etc.)

1	Having several sectors	
2	Having several buildings	
3	Whole amount of students	
4	Amount of students in grades 1-8	
5	Amount of students in grades 9-12	
6	Location of school	
7	The amount of students with special needs	

8	Refuse to answer	
9	Difficult to answer/don't know /Don't remember	
10	Other (define more exactly)	

C.7 Which component was affected negatively by the changes implemented in 2013 financing system?

1	teachers' professional training	
2	Providing with supplemental learning materials	
3	maintaining the school building and inventory	
4	School repairing (building, classrooms etc.)	
5	Buying new office inventory for school	
6	additional lessons and circles for pupils	
7	communal expenses, heating costs	
8	the adequate remuneration of personnel	
9	There are no negative changes	
10	Refuse to answer	
11	Difficult to answer/don't know /Don't remember	
12	Other (define more exactly)	

C.8. Do you think that the positive and noticeable changes were made in school financing system in 2010-2013 years?

1	Yes, positive changes are noticeable	
2	there are some positive changes but not noticeable	
3	in fact, there are hardly any real positive changes	
4	real positive changes were not made	
5	the changes that were implemented were followed by the negative results	
6	Other (define more exactly) _____	

7	Refuse to answer	
8	Difficult to answer/don't know /Don't remember	

C.9. In terms of the school financing system which factors were changed positively in 2010-2013 years?

1	School individual funding for 169 and less student which isn't counted according to number of students	
2	the voucher for 1-8 grade pupils	
3	the voucher for 9-12 grade pupils	
4	base funding for schools	
5	coefficient for school location	
6	coefficient for additional building	
7	coefficient for additional sector	
8	additional bonuses to base salary for certificated teachers	
9	additional funding for pupils with special needs	
10	Other factor (define more exactly) _____	
11	positive changes were not made	
12	Refuse to answer	
13	Difficult to answer/don't know /Don't remember	
14	Other (define more exactly)	

C.10. Did you manage to pay the heating or other communal expenses of school in the following winter seasons? (One answer in each row)

		yes	no	Refuse to answer	Don't know
C.10.1	in 2011-2012 years winter season	1	2	3	4
C.10.2	In 2012-2013 years winter season	1	2	3	4

C.11. what was the reason if school did not manage to pay the communal expenses in any given year?

_____
_____

_____
_____

C.12. how you managed to solve the problem?

_____
_____

_____
_____

C. 13. Did the renewed formula cause some changes in school management? (One answer)

Yes	1	***Continue to the question C 14***
Yes, partially	2	
No	3	
Refuse to answer	4	***Continue to the question C 15***
Difficult to answer/don't know /Don't remember	5	

C.14. ***(in C14 code 1 or if 2-)*** **please define exactly, (it's possible to list several changes)**

_____
_____
_____
_____

C.15. did the renewed formula increase school autonomy? (One answer)

Yes	1	***Continue to the question C.16***
Yes, partially	2	
No	3	
Refuse to answer	4	***Continue to the question*** **C.17**
Difficult to answer/don't know /Don't remember	5	

C.16. (In C 16 Code 1 or if 2) **please define exactly**

_____

_____

_____

_____

C.17. Did the renewed formula cause employee's limitation or abolishment of some positions? (One answer in each Column)

	yes	no	Refuse to answer	Don't know
A. administrative staff	1	2	3	4
B. teachers	1	2	3	4
C. Technical staff	1	2	3	4
Other (define more exactly) _____ _____ _____	1	2	3	4

C.18 Inspire of the renewed formula what kind of problems still remain ? *Please, define more exactly*

_____

_____

_____

_____

Section D: Principals professional development

D.1. Do you have principals certificate?

yes	**1**	**D.2**
no	**2**	**D.1.1**

D.1.1 have you participated in professional training for principals examination?

Yes	**1**
no	**2**

D.1.2 do you think that you need any additional professional trainings? (One answer)

Yes	1
No	2
Refuse to answer	3
Difficult to answer/don't know /Don't remember	4

D.2. Do you think that you need to learn more about school budget effective management or fundraising?

Mark relevant

1	Yes, I need	→ **D.3.**	
2	No, I don't need	→ **E.1.**	

D.3. From the following statements, please choose three most priority issues which would help you to manage finances and attract additional funds better.

#	Priority issue	Ddifficult to answer	Won't help	Will help	Very much needed
1	Budget planning				
2	Managing purchasing procedures				

3	Predictions and analysis of expenses				
4	Financial risk-management				
5	Income and expense monitoring				
6	fundraising				
7	Affective financial management				
8	Financial Accountability				
9	Principles of school funding system				
	Other (define more exactly)				

D.4. From the following statements, please choose three most priority issue which has no direct connection to school financing system but could help you in effective financial management. Number according to priorities:

#	Priority issue	
1	Time management	
2	Foreign language (English)	
3	Project management	
4	Art of networking	
5	Modern technologies in communication (Social networks, online applications, organization and participating in e-conferences, creating blog etc.)	
6	Negotiation and conflict management	
7	Other (define more exactly)	
8	Other (define more exactly)	

Section E: General issues of school management

E1. As a school principal how do you manage your time to fulfill the following tasks throughout the school year? Make sure to fill each line. Write 0 if you never do any of these activities at school. Fill according to the frequency: from 1 - for the most frequently activity you do, to the 5 - for the least likely activity you usually do

1	Administrative tasks (HR, reports, school budgeting, time-tables etc.)	
2	school financing issues (budget planning)	
3	Curriculum and its related issues (teaching, classroom observation, consult teachers etc.)	
4	satisfy the requirements of local authorities	
5	present school at public events	
6	Other	

E.2. how much do the following statements impede the learning process?

	Not at all	Very little	Not too much	significantly
1. lack of qualified teachers				
2. low salary of teachers				
3. not enough funding				
4. lack of laboratory equipment				
5. lack of assistants in learning process				
6. lack of other assistants/staff				
7. Lack of educational materials or its inadequacy				
8. lack of learning computers				
9. Lack of other equipment or its inadequacy				
10.lack of library materials or its inadequacy				
12.. Other (please, describe)---------- ---------- ---------- -------				

E.3. is there anything you would like to add / express your opinion?

_____

_____

Thanks for participating !!!

interviewer's notes:

Checked by field manager:

signature_____

name/surname _____