

From Fiction to Transparent Education Funding

Yurii Lukovenko, expert of the International Centre for Policy Studies, Kiev

Anatoly Kopets, president of agency of municipal development, Lviv

Inadequate funding

Experts blame the poor state of Ukraine's education system on inadequate funding and inefficient use of what small funds are available. Secondary education is financed from the budget by a per-pupil system, and this money is inadequate to the goals the government sets before schools. While education is becoming a longer and more complex process, its budget is shrinking and now cannot cover the system's principal expenses. For three years now there has been a 10-20% deficit of secondary education funding in Ukraine's cities. This shifts the load on local governments, who don't have the resources to bridge the gap. The people feel cheated as the free secondary education that they are promised turns out to be neither full-scale nor free.

Teachers, overworking and underpaid, also suffer from the situation. As money is tight even for schools' basic needs, they feel entitled to make parents pay for things. According to independent studies, parents pay UAH 40-50 million to teachers for tutoring and UAH 350-400 for schools' needs. We now see upscale schools, or classes within schools, with well-to-do parents paying for the difference. A system has been developed to identify and separate such parents: paid classes supposed to prepare pupils for tests or "voluntary donations" to the school. This means that children from poor families no longer have access to the same quality of school education. In some schools teachers are paid extra from special funds. While paying more to better teachers may be a good practice, parents have no idea why this or that teacher is paid more than the other. If this tendency continues, more and more poor parents will be unable to give their children good school education, just because they are unable to pay extra, and public education will become another factor raising social inequality.

Dealing with the lack of funds

There are two ways of improving the situation using such budget funds as are available. One is cutting costs and teaching jobs while making classes bigger. The

other is to use the energy item of expenses to finance other items. This is how schools, unable to change the other items, have been increasing their overall expenses. The government then has to provide subventions to the communities, which have to pay the schools' energy debts.

According to independent research, in 1998 schools' utilities and energy debts rose 12% as a result of commodity transactions. A sampling analysis has shown serious infringements in offset transactions in 62 schools for a total amount in excess of UAH 30 million.

District authorities and schools don't have many methods at their disposal to make the situation better by improving the organization of education. The lack of funds makes it difficult for schools to dismiss teachers in order to reach the set pupils-per-teacher ratio and reduce curriculum hours. The inadequate funding hits teachers first, and education quality takes a back seat to the need to cut costs.

Some of the Cabinet enactments and the Ministry of Finance's instructions issued in 2000 make commodity transactions in the sector practically impossible. There are limits to the use of the energy item by schools set by local governments and enforced by education authorities. Soon schools will no longer be able to supplement their budgets this way, which will also mean an end for a source of financial infringements and budget performance distortions.

As everybody (except the parents and pupils) is well aware that schools never get the full amounts of their promised budgets, education funding remains the responsibility of nobody in particular. Some schools or district education authorities rely on their personal connections within the local governments to try and get extra funds. This undermines financial discipline and incentives to save money at all levels – community, district and school. Others exaggerate their deficit in order to get a little something, as they learned to do in the Soviet times. This old habit, and the lack of transparency in the budget process, make this a common practice.

The system works like this: Each autumn, the education department requests additional funds from the community to make up for the deficit built in the budget.

The community sends the request to the region level and the region, to the government in Kyiv. The government usually finds the money, as its choices are limited to not paying the teachers' wages or cutting off power for schools.

The practice of exaggerating the lack of funds results in inequality among schools and districts. The money is distributed unfairly, making more schools use the practice in order to gain an edge.

The financial state of the education system is felt by every family. In an emerging post-Soviet democracy, a centrally controlled and underfunded education promotes the use of the so-called "administrative resource" in the power struggle. The manual distribution of funds, for example, makes it possible to manipulate the will of the people and influence election results by bribes, blackmail or force.

Under the current consolidated state budget system, local governments control 6-10% of their revenues, which does not leave them much room for making up for the lack of state funding of education. According to independent research, big cities use their budgets to complement education funding, covering 8-17% of the expenses. There are no standard rules obliging communities or districts to use so much of their revenues for education. So if a community wants to help its education it has to cut utility services and investment programmes. And not many communities can find some extra money for its education. Many rural communities are simply too poor, which leaves rural schools and kindergartens in the weakest position.

Poorer regions tend to shift more of the load on parents than wealthier ones, as do rural communities comparing to cities. At the same time, rural families cannot match what their urban counterparts can pay to help their children's kindergartens. Many rural families, unable to pay, have to leave their children at home. According to experts, children who never went to kindergarten take more time and effort to adapt to school and have smaller chances to receive good education in the future. Teachers call them "pasture kids" – children who lived in the village with grandparents instead of getting ready for school.

Businesses helping schools: Both sides loose

Businesses can help in two ways – either as suppliers on mutually beneficial terms or as donors. There are public organizations supplying foodstuffs for boarding schools for children with special needs, receiving in exchange, or hoping to receive, certain preferences or advantages. In western countries this is common practice for private third-sector organizations. But the lack of public funds in Ukraine makes the system look and work rather differently.

According to Ukrainian businessmen, problems preventing them from cooperating with schools include schools' lack of financial independence, poor management of their funds, absence of legal framework for school donations, no objective criteria of how successfully schools work, low public awareness of schools' condition, and parents and communities unable to control what and how schools teach.

The semi-legal supply with no real money payments, transparency or competition may become too expensive for the budget.

Compulsory tenders will not solve all these problems without the money in the budget to hold them. In Ukraine, non-profit organizations pay almost the same taxes as corporations. Public organizations and charities cannot hire employees to work with schools. A businessman making a donation has to be sure that his money will be used in accordance with the law, because if it is not, he may be seen by the public as an accomplice when his purpose was to be seen as a benefactor.

In this situation, legalizing businesses' and NGOs' help to schools would make both sides losers.

Local education and finance departments are not in a position to solve this problem. Local businesses, parents and the public have no control over the use of public funds for schools. For example, schools often collect money from parents to provide optional courses foreseen in the curricula. But the parents, as a rule, are neither invited to discuss the alternatives nor informed about the teachers' qualification, the courses' quality as assessed by experts or how their cost has been calculated. Education authorities are not inclined towards letting independent experts and parents

assess schools' work. The lack of public control results in low quality of education of our children, making us all losers.

Public control mechanism

Legitimate public control bodies representing local communities must be created to make the management of schools' funds more effective and strengthen public control over education. The Local Self-government Act provides for that. Article 26 of the act says that city or village Councils may authorise school boards to control education and give them control over funds and other resources needed to maintain schools. School boards must create new mechanisms of public control and accounting as a part of a new budget process in pre-school and secondary education. These mechanisms would enable all stakeholders to participate in planning the development of education at the local level and assess the use of public funds and quality of education.

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