



## **Azerbaijan: Parental Informal Payments in Schools**

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## **Abstract**

The complex issue of informal payments stems from two distinct phenomena of the transition period in post-Soviet Azerbaijan. The first concerns the deterioration of teacher salaries beginning in the early 1990s. The second is related to the absence of substantial reform in education finance. Schools do not possess financial independence and the level of participation in school management by community and by parents is low.

Informal parental payments in Azerbaijan are always undocumented; they continue to be received by schools and are sometimes used for expenses that should be covered by state funds. Today such payments have been adopted as a social norm rather than inappropriate action. No mechanism exists to differentiate between legal and illegal payments, between corrupt and proper practice. Since many low-income families cannot afford the expected payments, the possibility to obtain quality education for their children is curtailed. Informal payments obfuscate the right to free education as guaranteed by the Constitution.

The persistence of informal payments infringes on the moral climate surrounding schooling and negatively impacts the quality of education and social well-being. Despite respondent comments about the non-desirability of these payments, their rationalized acceptance indicates a society that has unconsciously adjusted to accommodate this phenomenon. Echoes are imprinted in a variety of ways, including the use of tutors as a substitute for formal education and compulsion to provide gifts regularly.

This study recommends the empowerment of school administrators so they can fulfill their professional duties rather than wait for instruction and encouragement of active participation of community members and parents in school management. All funds received and used by schools should be documented, publicly reported and made available for review by community members, including parents. It is also necessary to eliminate the transfer of money between pupils and teachers as well as establish limits on gifts made to teachers and school officials.

## **1. Background**

Azerbaijan emerged into independence as a new state possessing great wealth in the form of petroleum resources and a lack of experience in public administration. Over this period the government has made good gains in establishing stability and identifying necessary reforms.

The government has made education a major priority in its policy in order to strengthen sustainable development and facilitate the republic's integration into the global economy. Initial investments and allocations for education were made to support infrastructure development and rebuilding, such as the construction of new secondary school buildings and the refurbishment of existing ones. Parallel allocation was made to allow a gradual increase in teacher salaries and the integration of ICT in schools and the curriculum.

Funds from the state budget earmarked for education have continually increased throughout this period. However, the phenomenon of informal payments persists. Informal payments though are

not new to Azerbaijan. They existed even in the Soviet period, even though such payments were illegal and not as wide spread. Currently the core problem is their exacerbation due to factors arising from the transition period.

As a result of an economic crisis, remuneration for teachers and allowances for school supply and maintenance were severely hampered. Concerned with school quality, parents conceded to make payments upon the requests of teachers and principals to cover shortfalls. Over time, presents to teachers and principals also increased from simple tokens of gratitude to more expensive gifts, which were meant to secure better attention and reinforce status. Over the last decade and a half, this practice has become common and accepted.

During this period, the financing mechanism for public secondary schools did not provide an official way for schools to record payments. Nor were informal payments part of any audits that were performed. For this reason, payments to schools from parents are of an informal and hidden nature. In some cases, some payments, according to the expected result, can be labeled as bribes.

This phenomenon has affected the community at large. As the national government has built revenue from petroleum extraction, the population has expected positive changes in their lives. Although certain economic sectors have enjoyed growth in the period of independence, under-employment and unemployment are high as is inflation. The persistence of the need for informal payments poses an additional financial burden for families. Still, families remain ready to pay informal payments, indicating the potential emergence of a culture of private contributions to support a shared value as witnessed in developed countries.

#### **Box 1. Socio-economic Data (The World Bank, CIA)**

**Currency:** manat, AZN per USD – 0.8581 (2007)

**GDP (USD billions):** 1996 – 3.2, 2005 – 13.2, 2006 – 20.1

**GDP annual growth:** 2005 – 26.4 2006 – 34.5

**GNI per capita (USD):** 1995 – 400, 2000 – 610, 2006 – 1840

**Population below poverty line:** 24% (2005 est.)

**Unemployment, total (% of total labor force):** 2005 – 8.6

**Public education spending (% of GDP):** 1995 – 3.5, 2000 – 3.9, 2006 – 2.1

**Expenditure per student, primary (% of GDP per capita):** 2006 – 5.5

**Ratio of pupils to teacher (primary level) 2006 – 12.5**

**Ratio of pupils to teacher (secondary level) 2006 – 8.1**

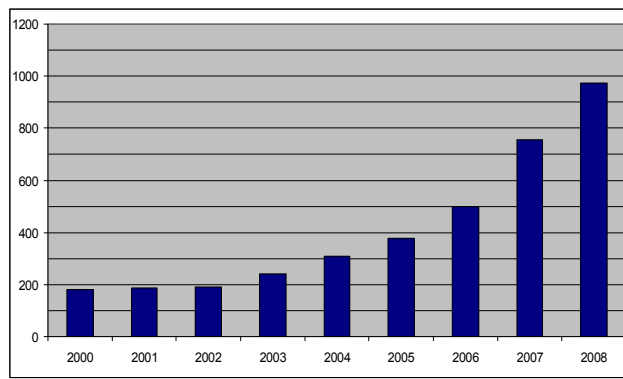
Sources: The World Bank, <http://go.worldbank.org/LJW2UB0SI0>;

CIA The World Factbook (on currency and poverty line), <https://www.cia.gov/library/publications/the-world-factbook/index.html>

## 2. School Finance

Currently Azerbaijan has 4,547 public and 12 private schools of general education with 1.5 million pupils. Only 0.3 percent of these pupils attend private schools. According to the Constitution of the Republic people are guaranteed the right to receive free education. General and secondary education is compulsory. Students currently complete 9 years of general education with the receipt of a certificate of general education and must continue to secondary school for two more years or pursue vocational education.<sup>1</sup>

**Graph 1. National expenditure on education**

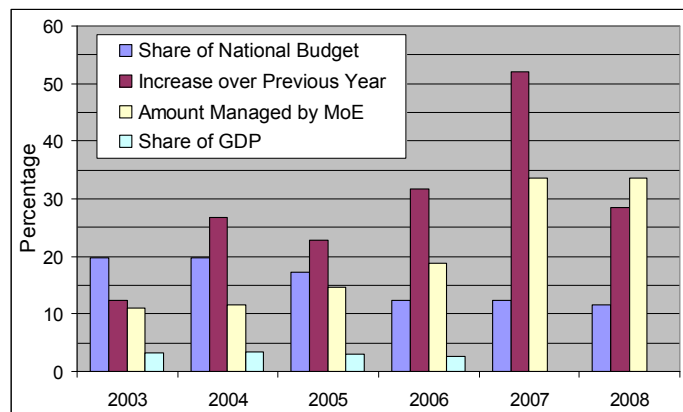


The amount of funds allocated from the state budget to education has continually increased. A sharp rise of 2.6 times can be seen between 2000 and 2006 due to the influx of funds from oil revenues (Graph 1 above). Although these funds are shown to be on the rise, the trend of education expenditures in comparison to patterns of total budget expenditures and the GDP shows a lessening amount given to education (Graph 2 below).

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<sup>1</sup> The compulsory length of education and its breakdown is currently being debated along with the draft of a new Law on Education. According to non-state sources, drop-out rates have been said to be increasing. This rise may account for the need for discussion. See the Report on School Wastage, [UNICEF 2002?](#)

**Graph 2. Comparative Trends for Education Expenditures**



Some structural reforms have allowed the Ministry of Education to gain more direct control of larger shares of the education budget. Under earlier practice, many funds were disbursed from the Ministry of Finance and the local executive authority.

Ninety percent of the funds from the state education budget are allocated for salaries and pensions. The purchase of new inventories and equipment comprises only three percent. The remaining seven percent is marked for utility costs and other operating expenses.<sup>2</sup>

The large share of the national education budget dedicated to salary payments does not reflect the former prestige and remuneration of the profession. In comparison to other public employees from other sectors, a teacher's salary in 2004 was approximately half that of others with similar training and experience.<sup>3</sup> According to independent research by SIGMA the average monthly salary for educational staff accounted for 57.2 percent of the prescribed living minimum wage, which is a figure calculated on the minimum per capita food basket.<sup>4</sup>

In 2007, the monthly average salary for a full-time teacher (12 teaching hours a week) is risen up to 130 AZN a month (162 USD). For comparison the state minimum salary is 60 AZN (75 USD). Teaching load policy allows getting up to 24 hours and even more. Therefore the teacher's salary can be as high as 500 USD.

According to the current Law on Education, education has been designated as a strategic sector to receive prioritized state financing. The main source of finance for the educational institutions is the state budget. This law also states that schools may receive supplementary financing from other sources, such as enterprises, organizations, funds or individual contributions. Furthermore, educational institutions are given independence in financial management. However, no official policy or procedures exist that allow for the practical implementation of these legal provisions. No regulation of this activity occurs.

### 3. Informal Payments

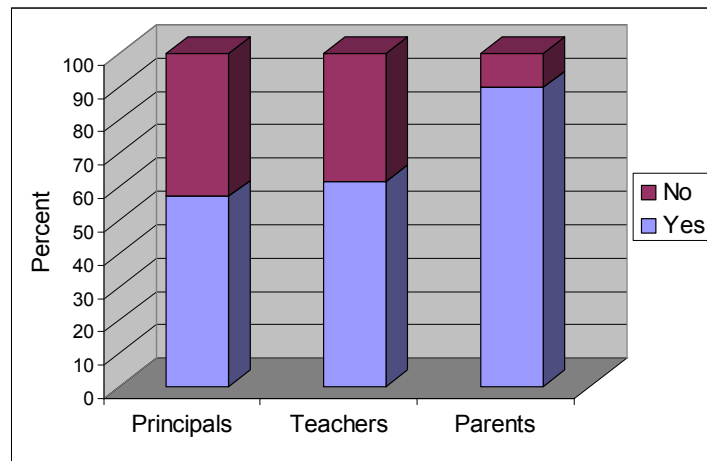
<sup>2</sup> "Budget and Education" in Expert Journal, Baku, 2005, volume XX, pp. XX-XX.

<sup>3</sup> (State Statistical Committee, 2004).

<sup>4</sup> SIGMA

According to survey results the majority of parents (89.6%) reported that informal payments are collected from their children at school. Fewer teachers and principals acknowledge the existence of informal payments; however, the majority of both groups (61.4% of teachers and 57% of principals) affirm their existence (Graph 3).

**Graph 3. Do Informal Payments Exist?**



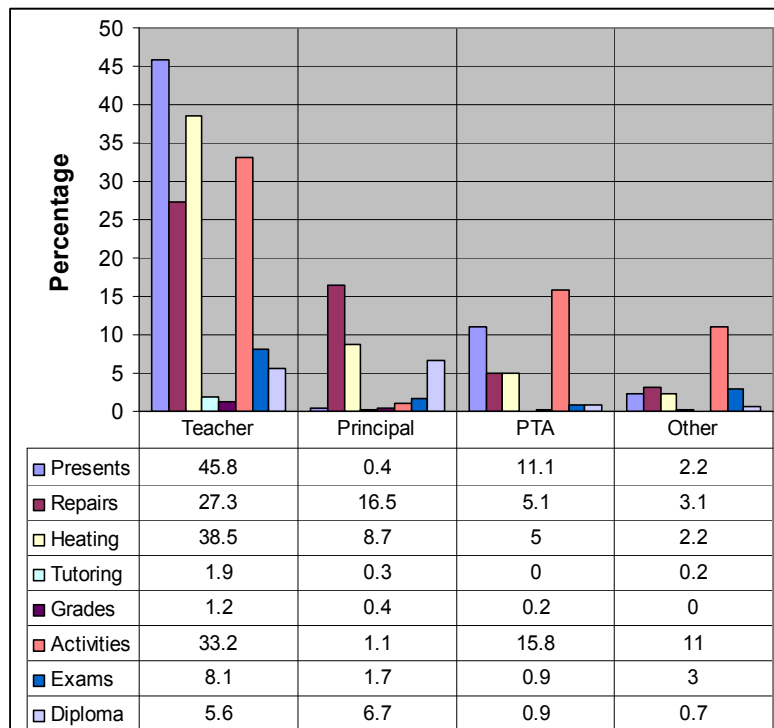
While the questionable legality of informal payments may have affected the way persons responded to this question, the affirmation by these three groups confirms that informal payments do exist in Azerbaijan. This conclusion is strengthened when also analyzed in terms of location and other variables.

### 3.1. Purpose and Recipients

Further it is necessary to understand why payments are made and who receives these funds. This information, collected from parents during the survey process, is summarized in Graph 4 below.

Nearly sixty percent of the respondents stated that the reason for informal payments is to pay for specific equipment, material or work for the school. These payments are usually made to teachers or the principal. Teachers receive 45.8 percent of these funds and 11.1 percent goes to parent committees.

**Graph 4. Type of Informal Payments by Recipient**



Heating and repairs to either the child’s classroom or for the school in general were the two areas with the most payments made. For the purpose of classroom or school repairs, 27.3 percent of the parents acknowledged having made informal payments to teachers. 16.5% of parents made such payments to principals; some smaller shares went to other groups. All in all more than half of all parents reported making informal payments for the purposes of repairs. Heating of the school or a classroom had even more respondents claiming payments made. These funds were, for the most part, given to teachers.

Informal payments for specific illegal activities such as those related to grades, exams or diplomas, which could be construed as corruption, had the lowest responses. If combined, only 14 percent of parents made payments for passing examinations or for receiving school-leaving certificates or similar documents. Very few parents (less than 2%) admitted payments made for receiving grades or having supplementary lessons.

Given the known illegal nature of these types of payments, these answers should be reviewed more closely to check their accuracy in practice. Also worthy of note is the fact that the most important step in education is the admission to university but reforms in this area have removed local officials from the examination and acceptance process, which has eliminated bribes made for this reason.

Presents made throughout the year to teachers, principals and others comprise another large group of informal payments. The nature of these payments has not been accurately assessed. These presents can include cash, flowers, perfume, services or other goods and are commonly

given on major holidays and events. The organization of extracurricular activities was also a purpose for a large number of payments but still less than heating, repairs or presents.

### **3.2. Collection and Use of Funds**

Payments may in some cases be given voluntarily or as the result of group consensus but are also demanded. Twenty percent of the parents confirmed that “In most cases, principals force teachers to demand informal payments from the parents.” In one focus-group discussion, parents also stated that they were urged to make informal payments. Education quality is also a reason given for collecting payments. A quarter of the parents (23.4%) confirmed that “parent organizations demand informal payments to develop the quality of education.

Informal payments in the form of cash are made more often than provision of goods or service. The use of cash may allow funds from informal payments to be pocketed rather than used for intended purposes.

Of the teachers, 44.9 percent responded that collected payments are spent for the classroom.<sup>5</sup> Additionally, 55.4 percent stated that some portion of these payments is used for the school or school activities. More than half of the principals (52%) noted that some portion of payments received is used for school activities or school improvement.

The flow of these funds is not clear. Only 12.7 percent of teachers acknowledged that school principals receive part of the payments collected from parents. Seventeen percent of principals stated that a portion of payments is directed to specific persons. It is possible, based on these responses, that up to a half of all payments may be used for reasons other than the purposes originally specified to the parents. Differences in responses across respondent groups may also be due to the sensitivity of the topic matter.

Respondents cited annual informal payments valued at approximately USD 60. However, this amount is dated because of inflation. It also may not be accurate accounting but rather a quick recall of specific payments. A different research approach is necessary to understand actual practice and determine annual values across different social groupings and various locations. The cost of informal payments for a family may be much higher today.

### **3.3. Rationale for Making or Demanding Payments**

Parents, teachers and school principals nearly all agree that the primary reason for informal payments are the budget shortfalls of schools and the low salaries of teachers. More than half of all parents (56.9%) stated that schools lack necessary funds. Another 15.1 percent indicated low salaries as a reason. Less 14.6% explained informal payments as a form of corruption, a

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<sup>5</sup> It should be noted that class groups often occupy specific rooms in a school. As such, the class group often assumes responsibility for its upkeep, repair and maintenance. Parents of this group will sometimes organize repair work at the beginning of the school year. Also, wood-burning stoves are often used in provincial areas for classroom heating and individual class members become responsible for bringing or purchasing fuel wood.



consequence of lacking control. Some also explained that payments resulted from a traditional form of appreciation.

Teacher responses were fairly similar, except in regard to low salaries as a rationale. A third of them (33.7%) named this as a reason. A similar number signified low budgets as a reason (36.8%) and a little more than five percent named corruption.

Nearly two-thirds of the principals named budgets and funding as the reason, while 22 percent named low salaries. The category of corruption received only three percent of their responses.

These reasons were also examined in focus-group discussions. Parents indicated that the main reason of the problem was inadequate receipt of state funding by the schools and low teacher salaries. Some also identified parents as initiators for making informal payments.

Additional factors that came out of discussions and open-ended questions included the national education policy, laws, which have no practical effect, lack of education reform, and inefficient use of funds already allocated for schools. The lack of a system of community (public) control on education management, including the quality of education, was identified as a major reason for inappropriate practices and even as an opening for corruption.

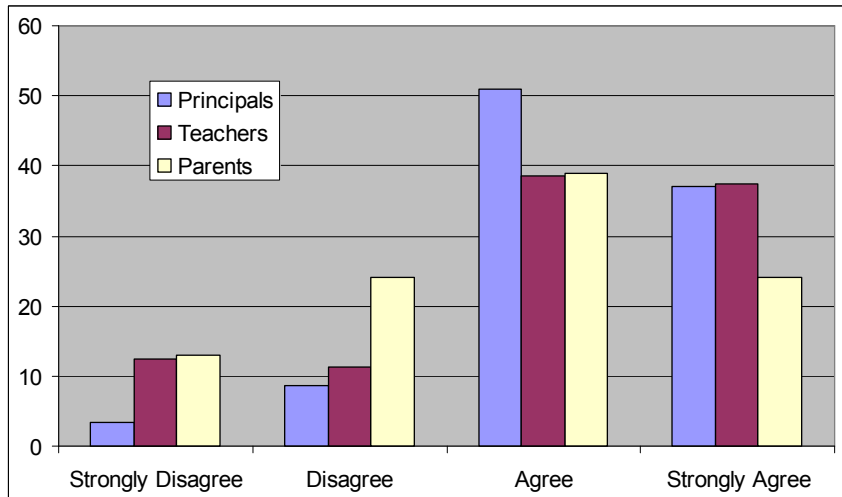
#### **4. Impact**

Payments made to schools by parents are informal and are not documented. The official financial system does not provide any procedure nor has it the requirement to record funds received outside of the state budget or these types of transaction. Despite rationalizations for payments as an absolute necessity many also consider informal payments to be illegal as a result of their informal nature.

Consequently informal payments pose a serious social problem that will not be resolved simply. Since teachers and schools have traditionally been held in high esteem, informal payments also serve to tarnish their image and therefore detract from education quality.

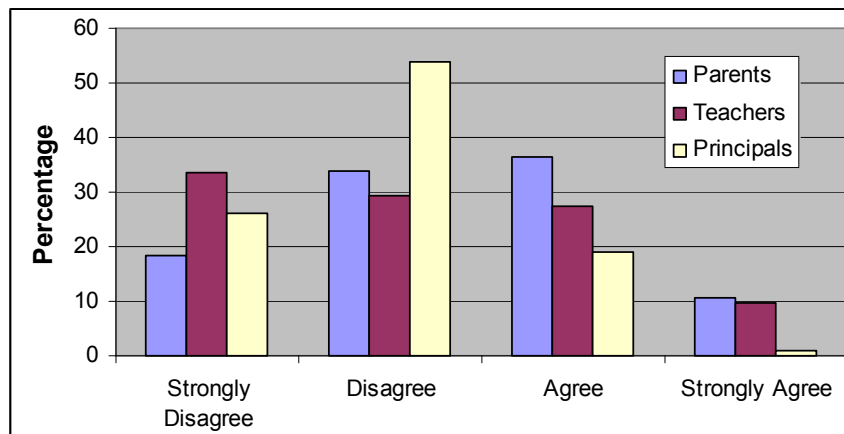
With the help of the survey and focus-group discussions, perceptions about the social and economic costs of informal payments were assessed. In focus-groups, the majority of parents believed that payments decreased the quality of education (Graph 5). The parents also believed that, if payments were used for the purposes for which they were intended, they would improve the quality of the education process. The final negative assessment is made because of the negative social implications of informal payments.

**Graph 5. Do Informal Payments Compromise Education?**



The expectation of informal payments across the system places an additional burden on families who are supposed to have the right to free education for their children. This is especially true for poor families who are unable to provide extra funds for their child’s schooling. A large number of respondents (49.6%) agreed that informal payments negatively affect this segment of society (Graph 6). Moreover the general practice of informal payments means that schools with better-off families will be able to provide better school environment for their children. Schools that cannot access such funds are unable to cover their heating and repair needs.

**Graph 6. Are Children of Poor Families Disadvantaged by Informal Payments?**



It is unknown whether the inability to make presents to teachers will have a more negative effect on poor children than the refusal to pay by families with better means does. More than a third of all parents (38%) believe that teachers spend more time with children whose parents make informal payments. More than a quarter of them (27.3%) believe that children whose parents make no informal payments cannot get quality education.

Teachers acknowledged discrimination based on payments. Nearly twenty percent said that informal payments impacted the quality of education. A larger number (37.1%) agreed that children from low-income families suffer in this situation. About twenty percent of the school directors made similar acknowledgement.

In focus-groups, teachers stated that informal payments cause serious discrimination and negatively affect the moral and psychological environment at schools. These factors reduce the desire of pupils to study and decrease school attendance. As a result, informal payments weaken the quality of education. Similar opinions were expressed by experts interviewed in addition to the survey and focus group activities.

A moral dilemma is apparent. A student participating in a school deliberation in Baku commented: “I am very sorry to see the shame of my teacher who looks down at the floor when she has to collect money.”<sup>6</sup> Mixing financial transactions into the normal teaching duties confuses the student-teacher relationship and should be avoided. Social equity, which remains a major concern for both students, teachers and parents, is negatively affected by the persistence of informal payments.

## **5. Response and Recommendations**

While this study only begins to unravel the complex aspects of informal payments in Azerbaijan, it is clear that the dependence on these payments has caused families and school employees to accept their usage. In order to account for these funds, it is necessary to introduce accountability and transparency into the system. This effort should begin with the creation of accounting procedures that will allow for the documentation, reporting and tracking of all funds received and used by schools. Provision of a model of accountability and transparency in schools also creates educational experience necessary for the civic education and skills of Azerbaijan’s young generation leading to good citizenship.

Advocacy is another step that must be made in order to allow different education stakeholders to come together to work on the shared values of education quality and school improvement. This step must be taken in order to ensure that the needs being felt by groups at the local level receive the attention of those at the provincial and national levels, particularly the decision-makers and gatekeepers who have control of education funding and can also influence other relevant issues.

Advocacy and accountability can lead toward a new schooling culture. Doing so will allow new relationships to form along with a shared ideology and flatter hierarchical structures. Hopefully, these changes will lead to a decrease in the scale and breadth of these payments and ensure that education is free for all.

This study recommends the following:

- Ensure that public funds designated for education reach secondary schools and are used for their defined purpose in order to eliminate dependence on informal payments.

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<sup>6</sup> Comment from a participant of Youth Deliberation held at Baku School #164, May 2007.

- Empower school administrators so that they can fulfill their professional duties rather than wait for instruction.
- Require that all funds received and used by schools are documented, publicly reported and made available for review by community members, including parents.
- Encourage the active participation of community members and parents in school management as provided under the law.
- Provide practical training for school officials in aspects of education administration, including financial management, documentation, allocation, and spending.
- Eliminate the transfer of money between pupil and teacher.
- Require receipts for all types of payments made by parents and others to school officials.
- Establish annual limits on the value and type of gifts or presents made to teachers and school officials.
- Examine ways to diminish burdens on families while allowing improved community participation in and support for schools.
- Create opportunities for school administrators, teachers, parents and others in the community, including representatives from other agencies, to work together to make school financing more participatory.
- Due to the complexity of this issue, continue research to create pragmatic criteria for evaluating performance and change.
- Examine the potential for creating a code of conduct for teachers and educational professionals to be used as part of teacher education and in-service training.
- Introduce and develop discussions on education quality and social equity at all levels.