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Recommended Reading

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The Quality of Education in Azerbaijan: Problems and Prospects

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Abstract

Over the past two decades, Azerbaijan has experienced a drastic decline in the quality of education, particularly at the higher education level. Although the oil industry experienced a boom for nearly a decade, the education sector stagnated and underperformed. The level of funds allocated to education remained unusually low, especially compared to the funds allocated to infrastructure development and vanity projects. Consequently, the quality of public education deteriorated precipitously, falling behind even the Commonwealth of Independent States (CIS) regional standard. Using a demand-and-supply perspective, I argue that the diversion of public funds away from human capital development toward unproductive investments by rent-seeking elites on the supply side and low returns to high-quality education (valuing educational certificates more than knowledge and skills obtained) and an excessive reliance on patronage and personal connections on the demand side are the key impediments to the advancement of educational quality in Azerbaijan. Further structural reforms are required to address these perverse incentives embedded in the existing institutional framework.

Performance

Azerbaijan has a young population: nearly 40% of its 10 million-strong population is below 24 years old. It also has one of the highest birth rates in the CIS region. Having a large proportion of young people is advantageous in providing manpower to meet the needs of the market and boost the economy; however, it poses a challenge regarding training a highly skilled workforce for a job market in which youth employment represents only 23% (as of 2014). In other words, the specific problem currently facing Azerbaijan is whether the country's public school system has sufficient capacity, funds and teaching resources to accommodate the growing numbers of young people.

As in other resource-dependent countries, the "oil curse" hurts young people's employment opportunities

as domestic jobs are scarce due to the underdevelopment of non-oil sectors and weak private business. The international labor market is highly competitive with many barriers to entry. A strong modern education system and continuous professional training opportunities for the Azerbaijani workforce are crucial in order to meet domestic demand and provide the skills required to compete in international markets. However, evaluations by international organizations and education experts demonstrate that Azerbaijan is underperforming in education quality and is clearly underutilizing its potential demographic advantage. This reverses the 'youth bulge' advantage, forcing better educated young people to exit and emigrate ("brain drain") to western countries. Meanwhile, the majority of poorly educated labor was, until recently, absorbed

by the demand for low-skilled, guest-worker labor in Russia.

Azerbaijan has preserved the high adult literacy rate, high levels of secondary school enrollment and universal scope of primary education inherited from its Soviet past (there is compulsory 9-year schooling). However, over the past twenty years, there has been stagnation and a lack of progress on many other key indicators of educational attainment and quality of education according to data from the UNESCO Institute for Statistics (UIS). Azerbaijan's high secondary education participation rate differs little from other ex-Soviet countries including those that, unlike Azerbaijan, are not located on abundant reserves of natural resources (oil and gas). A closer look at key education indicators, some of which are discussed below, reveals a rather bleak picture.¹

Low Public Spending on Education

Azerbaijan's budget allocations for the educational system have been consistently low, indicating a low prioritization of education, and of social welfare in general, by the governing elites. Surprisingly, even during the oil boom period, education remained underfunded, representing only 9.1% of all public spending in 2009 (on par with Georgia and Belarus but half that of Ukraine and Moldova), and education performance was unimpressive. For example, based on RFE/RL's estimates, more money was spent on hosting the 2015 European Games (USD1.2 billion) than on education in 2016 (USD1.14 billion). According to the World Bank, although public spending on education increased in nominal terms from AZN 294 million in 2004 (approximately USD60 million based on 2004 exchange rates) to AZN 1.55 billion (USD1.94 billion in 2014 dollars) in 2014, it did not match the growth of GDP.² In 2009, the government spent only 2.8% of its GDP on education, well below even the CIS regional average of 4.7% (Georgia—4.2%, Armenia—3%, Ukraine—5.3%). The majority of the funds were allocated for teacher and staff salaries and pensions, and the rest was allocated for operational costs.

Low Pre-School Enrollment

Only 26% of Azerbaijani children aged 1–5 attended preschool (kindergarten) in 2013, which is lower than in neighboring countries. For comparison, the pre-school

enrollment rate is 60% in Georgia (as of 2008), 52% in Armenia (2012), and 92% in Russia (2012).³ According to one study, Azerbaijan has one of the highest proportions of children without preschool education among the 45 countries observed.⁴

Poor Quality of School Education

Azerbaijani students performed poorly on the 2009 PISA international student survey, receiving one of the lowest scores on the reading and science scales. As more school graduates fail to pass the national university admission exam due to low scores, the State Student Admission Commission (TQDK) is forced to lower the minimum threshold (normally 250 or 200 points) every year. The quality of secondary school education is believed to be insufficient to prepare graduates for university admission. Because of the inefficiency of the secondary school system, whereby taxpayers' money is spent but schoolchildren still cannot acquire a good education, parents are obliged to allocate additional funds to hire private tutors for their children.

Low Higher Education Enrollment Rate

Azerbaijan has the lowest post-secondary (tertiary) education enrollment rate among the countries of Central Asia and the Caucasus: only 23% of the relevant age cohort between the ages of 17–21 are actually enrolled in a university. Each year, approximately 77% of Azerbaijanis who graduate from secondary school are not admitted to a university, most likely due to the poorly conceived and highly centralized state quota allocation system “wherein every year the government arbitrarily sets student admission quotas for all programs, whether government subsidized or self-financed, and in both public and private universities.”⁵ This is the worst university enrollment rate in the entire region. In contrast, 44.3% of youth in Armenia, 39.2% in Georgia and almost a half of Kazakhs enroll in a university after they graduate from secondary school (see Table 1 overleaf).

Educational Attainment

Table 2 overleaf presents the population distribution by highest degree obtained. In Azerbaijan, the highest number of citizens (approximately 60%) hold a (complete) secondary school certificate (attestat). This is fol-

1 Caroline Macready and Mihaylo Milovanovitch, “Developing Human Capital”, Ch.3 in *Competitiveness and Private Sector Development: Eastern Europe and South Caucasus*, OECD Publishing 2011.

2 Note that after two devaluations in 2015 (in February and December), Azerbaijan's currency, the manat (AZN), lost half of its value relative to the US dollar. Current exchange rate (October 2016): 1 USD = 1.6 AZN.

3 UNESCO Institute for Statistics, Available at: <<http://data.worldbank.org/indicator/SE.PRE.ENRR>>

4 Vitaly Radsky, “Education in Azerbaijan: A Snapshot”, CRRC Blog, May 16, 2013, <<http://crrc-caucasus.blogspot.com/2013/05/education-in-azerbaijan-snapshot.html>>

5 Rashad Aliyev, “Azerbaijan: How Equitable is Access to Higher Education?”, *Khazar Journal of Humanities and Social Sciences*, 14, 2011.

Table 1: Gross Enrollment Ratio, Tertiary (%)

	2010	2011	2012	2013	2014
Armenia	50.6	51.0	43.9	43.3	44.3
Azerbaijan	19.3	19.6	20.4	21.4	23.2
Georgia	28.9	31.2	29.2	34.8	39.2
Kazakhstan	46.0	48.5	51.3	50.1	48.5

Source: UIS.Stat, UNESCO

lowed by 25% who have a bachelor's degree and a somewhat inflated 15.7% holding a master's degree. However, a different picture emerges if one analyzes the content of Azerbaijani master's level education. As one expert accurately observed, "Master's students in Azerbaijan commonly have to go through the exact same course—same instructor, same book, same lecture material, same tests—as they did as undergraduates."⁶ In other words, most master's degree programs are a poor replica of their counterparts in the west and do not offer advanced specialist training.

Access to Higher Education

Although the introduction of the TQDK relieved the admissions system of direct corruption, problems remain regarding the equity and equality of access to higher education. University admission is determined using scores on the admission test administered by the TQDK. The quality of teachers in public schools varies, and the best 'elite' public schools are concentrated in Baku city. Private lyceums charge high tuition fees. Extra hours of private tutoring are required for regular public school pupils to be able to pass the university admission test. Even though public school education is free, climbing up the education ladder depends on the household budget. The informal private tutoring system is affordable only for

wealthier and middle-class urban families. One family estimated the annual costs of private tutoring for their daughter at AZN 3,000 (USD 3,750 based on 2013 exchange rates), whereas the average monthly salary was approximately USD 545 in 2013.⁷

Once admitted to a university on a self-funded basis or to a private university, students must pay tuition fees. Tuition costs range depending on the prestige of the university and program from approximately AZN 1,300 (USD 1,238 in mid-2015 dollars) (lowest) at Pedagogical University to AZN 4,800 (USD 4,571 dollars) (highest) at ADA University. In fact, the tuition fee rate increased at least twice from 2008 to 2015. For example, tuition for Baku State University's law degree program jumped from AZN 1,500 (USD 1,875 in 2008 dollars) in 2008 to AZN 3,000 (USD 3,750 in 2013 dollars) in 2013 and AZN 3,800 (USD 3,619 in mid-2015 dollars) in 2015.⁸ Thus, the higher education admission system privileges children from wealthier and urban families over less well-to-do and rural families.

(Ir)relevance of Higher Education

One study finds that more than 60% of the graduates surveyed reported that their education did not adequately prepare them for the domestic job market.⁹ There appears to be a significant gap between what is

Table 2: Educational Attainment, Population Ages 25 and Older, %

	Primary	Lower secondary	Upper secondary	Bachelor's	Master's
Armenia	2.8	6.4	43.3	n/a	24.1
Azerbaijan	2.9	6.9	58.7	25.3	15.7
Georgia	2.1	4.6	42.7	3.4	27.1

Source: UIS online database at: <<http://data.uis.unesco.org/>>

Note: Percentages may not add up to 100 as the columns include only main levels of education. Armenia figures are from 2011; Azerbaijan and Georgia figures are from 2014, except for Azerbaijan's bachelor's degree figure, which is from 2012. Population in million (25 years and older): Armenia—1.8, Azerbaijan—5.8, and Georgia—2.8.

6 Richard D. Kortum, "Emerging Higher Education in Azerbaijan", *Journal of Azerbaijani Studies*, 12, 2009.

7 Arifa Kazimova, "In Azerbaijan, Free Education Comes at a Price", *Transitions Online*, January 9, 2013.

8 "Ötən 5 ildə Azərbaycanda ali təhsil: Nə dəyişib?" [Higher education in Azerbaijan over the past 5 years: What has changed?], Azadliq.org, October 30, 2013, <<http://www.azadliq.org/a/25152044.html>>

9 Turkhan Sadigov, "Students as Initiators of Bribes: Specifics of Corruption in Azerbaijani Higher Education", *Problems of Post-Communism*, 61:5, 46–59.

taught at the university level and the skills demanded in the job market. There is an oversupply of people with general secondary education but too few specialists in agriculture or services. Most universities have outdated curricula and lack the capacity to teach applied skills. Vocational schools are of low quality.

Underpaid Teachers

Secondary school level teachers in Azerbaijan earn very low salaries. In the mid-2000s, they earned less than USD 100 per month, barely enough to make a living. The current starting salary for secondary school teachers stands at AZN 350 (USD 219 in 2016 dollars) per month depending on qualifications and performance.¹⁰ According to Azerbaijani official statistics, the average nominal wage for professionals employed in education in 2015 was AZN 301 per month (USD 287 in mid-2015 dollars), which is the third lowest category after healthcare (AZN 204, USD 194) and agriculture (AZN 246, USD 234) and much lower than the average salary earned by those employed in other fields such as mining (oil and gas) (AZN 2,171, USD 2,068 in mid-2015 dollars), finance and insurance (AZN 1,210, USD 1,152) and even construction (AZN 678, USD 646).

The government has clearly underinvested in education, and the salaries of teachers remain low. Consequently, teaching and academia have never been considered attractive job options for graduates, especially among men, who are traditionally the ‘breadwinners’.

Understanding the Decline in Education

Performance in education depends on the circumstances on both the supply side and the demand side. On the supply side, politicians may be induced to raise the level of education quality as a strategy to gain support or as a way to encourage innovation and build a knowledge-based economy. By contrast, in clientelistic systems based on patron-client exchanges, politicians may deliberately delay higher education progress as long as they can enjoy the excess profits of the rentier state.

On the demand side, the key factor is the extent to which citizens are willing to push for change. This in turn depends on how well citizens understand the problem and their organizational resources to mobilize for collective action. In Azerbaijan, there is currently no strong constituency to advocate for such reforms. Rent-seeking elites and their allies among corruption-prone educators have postponed reforms for decades, and cit-

izens have internalized the ‘rules of the game’ in which formal qualifications acquisition and the cultivation of patronage ties are more important for success in the job market than critical thinking abilities, professional skills and creativity. Learning skills have become secondary to obtaining a diploma by whatever means possible, including by offering bribes to educators. High-skilled students, especially those educated abroad, who are not co-opted into this system tend to exit. As Swedish economist Mats Lundahl noted, in the rent-seeking model, low returns to education will eventually produce brain drain, and high-skilled professionals and the educated strata will opt out.¹¹

Supply Side

Competition among key state bureaucratic factions over the amount of public funds available was at the core of oil-boom era politics in Azerbaijan. Large-scale infrastructure projects were the biggest prize, and human capital was never a priority, leading to a lack of willingness and interest in raising the education level of society (a form of public good). Thus, education received only a small fraction of the oil proceeds and in reality was largely neglected. The organization and management of the educational system is still dominated by a highly centralized Soviet management approach and “suffers from corruption and the influence of kinship.”¹²

Although managed by the Ministry of Finance, public funds for education are disbursed through local executive authorities. As one study from 2008 shows, these funds rarely reach schools as “a lack of clear procedures, transparent documentation, and open reporting prevent determination of how funds designated for schooling disappear while passing through the system.”¹³ This archaic system leaves no room for policy innovation and reform. In April 2014, the former minister was replaced by the current minister, who is much younger and attended an American graduate school on a US-sponsored exchange program. He launched a series of measures including new ‘diagnostic’ evaluations of school teachers and the development of curriculum. However, these steps did not indicate a major departure from the past.

Since the state has remained the dominant force in Azerbaijan’s version of crony capitalism, the state (and quasi-state enterprises) has been the country’s biggest employer.

10 Decree No. 270 of the Cabinet of Ministers of Azerbaijan, 11 July 2016, <<http://www.cabmin.gov.az/?/az/pressreliz/view/1949/>>

11 Mats Lundahl, “Inside the Predatory State”, *Nordic Journal of Political Economy*, 24, 1997.

12 Hamlet Isaxanli, “Higher Education in Azerbaijan”, UNESCO Conference in Paris, July 2005.

13 Eric Lepisto and Elmina Kazimzade. “Coercion or Compulsion? Rationales Behind Informal Payments for Education in Azerbaijan”, *European Education* 40: 4 (2008): 70–92.

Public sector employment has never shifted to meritocratic recruitment and instead continues to rely on the time-honored patronage system, in which informal connections, loyalty and sometimes regional affiliation determine who gets a job. Such a system breeds clientelism and bribery while stifling creative and critical thinking. By maintaining this system, the government has discouraged the transition to a new approach that emphasizes meritocratic criteria.

The oil-based labor market structure has also contributed to this decline in a predictable manner. Demand for skills in the petroleum industry was partially satisfied by Western ‘expats’ and a small cohort of Western-educated youth. For the rest of the economy, this demand was met by a number of private universities (such as Qafqaz University and Khazar University) and quasi-state universities (ADA). These institutions have a transparent exam system, a relatively better quality of teachers and courses, and English language instruction. It proved easier to satisfy this demand by increasing public spending on standalone success projects rather than by reorganizing the entire public education system. The State Program on Education of Azerbaijani Youth Abroad for the years 2007–15 displays a similar logic.

Demand Side

Azerbaijan illustrates a post-Soviet version of what sociologist Ronald Dore termed “diploma disease”, whereby obtaining education certificates becomes an end in itself, undermining genuine learning. Success in job selection depends on connections, and promotion in public sector employment is based on loyalty rather than competence, performance indicators or merit. To qualify for a job, graduates are only required to show a certificate of completion (diploma).

Citizens raised in this institutional environment of clientelism will over time internalize the values inculcated by the clientelist logic regarding educational achievement and professional career success. If clientelism trumps critical thinking, paying bribes and using connections to obtain good final marks pays off. For many, this simply makes sense.

Conclusion

For nearly a decade, Azerbaijan enjoyed an oil boom and earned billions of dollars in revenues, and the gov-

ernment declared its goal of turning “black gold” into human capital. However, education was not chosen as a priority area. State expenditures on large-scale infrastructure projects and the hosting of sporting events dwarfed public spending on education. Azerbaijan’s problem is not that it did not spend enough on education and human capital in general but that it invested so little given its oil wealth and the urgency to transition the economy from one that depends on natural resource extraction to one that draws on the intelligence, knowledge and capacity of its people.

It is time for Azerbaijan to shift to program-based public spending that links budget expenditures to specific goals and outcomes and ensures that expenditures are monitored and performance is evaluated. This should be guided by global best practices, be based on evidence and involve a pool of committed Western-educated partners.

It is difficult to say whether educational stagnation is the result of the structural conditions and the actors’ lack of capacity or the actors’ lack of willingness. There are several examples of similar initiatives, such as the establishment of a new public service delivery company (ASAN Service), which demonstrates that successful foreign models can be adopted and implemented. However, those were in less technically sophisticated policy areas and could be implemented over a relatively short time period with few political costs. Education may be a different ball game because it requires a more fundamental change with impacts that are longer term, higher levels of policy expertise, skilled implementers and, most importantly, the political will of incumbent leadership.

On the supply side stand the rent-seeking interests of elites, which divert public resources away from human capital investment. On the demand side, the absence of meritocracy and widespread patronage in the job selection and hiring process reduce the incentives for students and graduates to seek, let alone demand, genuinely high-quality education. A successful policy intervention should take into account the perverse incentives embedded in the system.

About the Author

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