



**STRENGTHENING AWARENESS AND RESPONSE IN EXPOSURE OF
CORRUPTION IN ARMENIA**

**FINAL REPORT
FINDINGS OF THE ANTI-CORRUPTION PARTICIPATORY
MONITORING CONDUCTED IN HEALTH AND EDUCATION SECTORS
BY CIVIL SOCIETY ANTI-CORRUPTION GROUPS**

CONTENTS

ACRONYMS.....	3
A BRIEF OVERVIEW OF FINDINGS	4
Health Sector.....	4
Education Sector	7
INTRODUCTION	11
BRIEF DESCRIPTION OF ANTI-CORRUPTION PARTICIPATORY MONITORING METHODOLOGY (APMM).....	13
CHAPTER 1. HEALTH SECTOR.....	16
1.1 Provision of medication for free or on privileged basis to people in outpatient medical institutions ...	16
<i>Findings of the monitoring</i>	17
<i>Recommendations</i>	20
1.2 Correspondence between the foundations of free medical care and services guaranteed and commissioned by the State and the quality of the provided medical care.....	21
<i>Findings of the monitoring</i>	21
<i>Recommendations</i>	26
1.3 Provision of paid medical care and services	26
<i>Results of the monitoring</i>	28
<i>Recommendations</i>	31
1.4 Patronage and personnel policies	31
<i>Results of the monitoring</i>	32
<i>Recommendations</i>	35
CHAPTER 2. GENERAL EDUCATION SECTOR.....	36
2.1 Truancy, evaluation of knowledge and out-of-school private tutoring	36
<i>Results of the monitoring</i>	37
<i>Recommendations</i>	43
2.2 Final examinations in comprehensive schools	44
<i>Results of the monitoring</i>	45
<i>Recommendations</i>	49
2.3 Financial management at schools: the budget, collection of money and financial accountability	49
<i>Results of the monitoring</i>	50
<i>Recommendations</i>	52
2.4 Issues of school administration	53
<i>Results of the monitoring</i>	56
<i>Recommendations</i>	59
ANNEX. TABLE OF RECOMMENDATIONS ON HEALTH AND EDUCATION SECTORS	62

ACRONYMS

ACNTE	Anti-Corruption Network for Transition Economies
ACSIAP	Anti-Corruption Strategy and Implementation Action Plan
APMM	Anti-Corruption Participatory Monitoring Methodology
CoE	Council of Europe
CSA Groups	Civil Society Anti-Corruption Groups
CSA Network	Civil Society Anti-Corruption Network
GRECO	Group of States against Corruption
IHL	Institution of Higher Learning
MI	Medical Items
MM	Mass Media
NA	National Assembly
NGO	Non-governmental Organization
OECD	Organisation for Economic Co-operation and Development
OSCE	Organization for Security and Co-operation in Europe
OSI	Open Society Institute
PRSP	Poverty Reduction Strategy Paper
RoA	Republic of Armenia
RoA MH	Ministry of Health of the Republic of Armenia
SHA	State Healthcare Agency of the RoA Ministry of Health
UNDP	United Nations Development Programme

A BRIEF OVERVIEW OF FINDINGS

To assist the Armenian Government in the implementation of the Anti-Corruption Strategy, an Anti-Corruption Participatory Monitoring (ACPM) was developed and carried out within the framework of the *Strengthening Awareness and Response in Exposure of Corruption in Armenia* Project of the United Nations Development Programme (UNDP). In 2007, the ACPM was implemented by Civil Society Anti-Corruption (CSA) groups in 44 educational and 22 medical institutions in 10 cities all over Armenia and Yerevan.

Health Sector

Within the health sector the monitoring focused on the provision of medication to the individuals that have the right to get medication for free or on privileged basis and whether there is correspondence between the foundations of free medical care commissioned by the State and the quality of the provided medical care. Also studied were provision of medical care and services for a fee and a personnel policy pursued by medical institutions.

In the course of the monitoring of **the compliance with law in the provision of medication to the individuals that have the right to get medication for free or on privileged basis** information was collected by CSA groups, and medical personnel and patients were surveyed. The data and the interview results demonstrated that both medical personnel and patients voiced their displeasure with the medications issuance procedure as it entails time-consuming paperwork and making various entries in logs and eventually results in crowded waiting rooms.

Longtime nonrenewal of the *RoA List of basic medications* and mismatch between the medications on that list and the present-day requirements of medical care pose a serious obstacle to physicians making up adequate prescriptions and bring forth corruption risks. The root causes of unfounded rejections of people's legitimate requests of medication are disproportionate funding and shortage of money. Even though their diseases are listed in the 23 November 2006 RoA Government Decree N 1717-N *On approving the lists of social groups that qualify for and diseases that entitle patients to get medication for free or on privileged basis*, the patients are denied the right to medication for free or privileged basis, their being entitled notwithstanding.

The monitoring **by CSA groups of the correspondence between the foundations of free medical care commissioned by the State and the quality of the provided medical care** has revealed that the list of medical conditions and diseases requiring urgent medical

intervention is limited. Besides, it does not reflect the existing needs since in terms of scope it is predicated on the amount of the appropriated money. The shortcomings of the list of medical conditions and diseases requiring urgent medical intervention not only enable medical doctors to show inflated numbers of treated patients but also in many cases deprive patients, who require urgent medical intervention, of the State-provided care. In anticipation of additional State funding the limited budget of appropriations for free medical care commissioned by the State is artificially inflated thereby laying the groundwork for inflated number of the patients who have allegedly been given free medical treatment commissioned by the State. The non-existence of standards for evaluation of and control over the quality of medical care creates a climate of uncontrollability and leads to violation of treatment techniques. Regardless of whether patient received quality or inadequate treatment or treatment failed to improve patient's condition the payment is requested based on general principles, and quality differences are not taken into consideration. Patients' inadequate awareness contributes to a serious increase of the financial burden placed on them. Patients, who are unaware of their rights, in particular of the scope of free medical treatment commissioned by the State, make "informal" payments more often.

Monitoring of corruption risks in provision of paid medical care and services has demonstrated that a low level of financial resources obtained through the provision of medical care and services for a fee constitutes a formidable obstacle to the development of the health care system. Failure to coordinate price lists with a competent body of public administration and to exercise appropriate financial control leads in medical institutions to groundless discounts on price lists or to defaults on payment. Sometimes several different price lists are effective in the same medical institution thereby affording an ample opportunity for maneuver in terms of extracting informal payments. The cost borne by patients is for the most part invariable and stable. What should be changed are the shares of "official" and "informal" payments in patient's overall costs. Unrealistic tariffs set for provision of paid medical care and services in medical institutions enable medical personnel to balance the lacking portion of finances with informal payments they demand from patients. As they do not have specific mechanisms for price-formation and for distribution of profits brought in by paid services, medical institutions frequently violate the priorities and proportions of expenditures. The latter are not controlled by a competent State body.

The observation conducted to evaluate patronage and corruption risks in personnel policies as well as to identify their manifestations has demonstrated that the application of the established procedure of personnel selection on a competitive basis should be mandatory for all medical institutions. The reason is the medical staff selection based on the principle of arbitrariness and patronage is fraught with serious corruption risks and has an impact on their

work style subsequently. Staff selection in medical institution is not made on a competitive basis. Under the circumstances, in some cases level of professional training and professional qualifications of medical personnel is not regarded as a primary criterion, thereby paving way for arbitrariness- and patronage-based approaches. Weak control and non-application of the procedure of competitive selection are also conducive to favoritism and unsound personnel policy taking root. The *staff lists* swollen because of the absence of the standards and of the methodology necessary for the calculation of the optimal number of medical personnel and *inadequate control* by a competent State body over the compliance with the assigned number of staff positions bring about risk situations fraught with manifestations of corruption. Low salaries of medical personnel and delays in their disbursement provide fertile soil for “informal” payments to take root. Not infrequently, in medical institutions one staff position is held by two or more individuals and in some cases that provides solution to social problems and to the problem of having a sufficient number of relevant specialists. However, a low level of medical personnel’s salaries entails high corruption risks and the resulting informal payments will under the circumstances tend to increase. The personnel policy principles applied by the administration of some medical institutions violate in certain cases the medical personnel’s rights and bring forth situations of corruption. Under the circumstances the medical personnel’s anxiety about losing their jobs and the absence of clear mechanisms for lodging complaints pose serious obstacles to rectifying the situation.

Proceeding from the results of the corruption risks observations conducted by CSA groups in medical institutions, the following policy recommendations are made to assist the RoA Ministry of Health in the formulation of the anti-corruption policy¹:

1. To ensure accessibility of provision of medication and other medical items to the individuals that have the right to get medication for free or on privileged basis;
2. To introduce mechanisms for awareness-raising of and for lodging complaints by the sick, patients and medical personnel;
3. To introduce standards for evaluation of and control over medical care and services with the aim of ensuring quality of provided medical care and services;
4. State regulation of paid medical care and services;
5. To raise medical personnel’s lawful incomes (salaries); and
6. To ensure that staff is properly selected and that medical personnel meets the requirements of the positions; to introduce the procedure for filling vacancies on a competitive basis.

¹ See the relevant section of the Final Report for the entire package of recommendations.

7. To make a transition to a system of medical insurance and to devise a strategy and an action plan to that end.

Education Sector

Corruption risks in the education sector were monitored in the areas of truancy, evaluation of knowledge, out-of-school private tutoring, final exams in comprehensive schools, school budget formation and implementation and school administration. The monitoring has shown that a large number of the monitored issues are of strong interest to the general public, including comprehensive school students and their parents as well as school principals, teachers and representatives of Regional Governors' Offices.

The monitoring of truancy, evaluation of knowledge and out-of-school private tutoring have revealed that a large number of comprehensive school students stay out of school without permission gives rise to corruption risks, when truants are students from well-to-do families. The main underlying causes for students' truancy are out-of-school instruction by private tutors and too complicated content of school education. The latter reason is directly related to quality of teaching in comprehensive schools. Widespread phenomenon of students skipping classes in order to study with private tutors is an extreme manifestation in general education sector of the ubiquitous commercialization of morals. The prevalence of the phenomenon indicates that in the present-day social relations having an education certificate is sometimes more important than having knowledge. At present, comprehensive schools bring up a generation that is more lenient to corruption than their parents were. As regards grading in schools, the prestige of high grades brings forth corruption risks. High grades enjoy prestige primarily with parents in well-to-do families and that increases corruption risks given the current salaries of teachers. Much smaller significance of school grades in non-graduating classes in terms of admission to IHLs contributes to lowering of corruption risks². With the introduction of high school, the grades received in middle school will again acquire significance, as the access of students to high schools is predicated on those grades and will, therefore, generate corruption risks. As regards out-of-school private tutoring, corruption risks emerge primarily as a result of a low-quality instruction in schools that provide general education (comprehensive schools). To be admitted to IHL or to get high grades the students have to study out of school with private tutors, or if the latter are not accessible, with teachers that act thus in a tutor capacity. In a situation like that an opportunity arises to nudge students to get private tutoring from teachers. When student gets private tutoring from his teacher out of school, he starts getting higher grades at school,

² In the event contenders get equal IHL admission scores an average grade of the school grade report attached to the graduate certificate is taken into consideration as a third factor.

even if the level of his knowledge does not go up. In terms of grading, high grades their children get at school have become a constituent part of prestige for well-to-do families. The high point of corruption in the system of general education is related to admission to the system of higher education. Out-of-school tutoring and grading-related problems in the system of general education are motivated by the IHLs admission issue.

The monitoring of forms of organization of final exams in comprehensive schools and of manifestations of corruption risks has ascertained that the fact that the traditional form of exam is assessed more positively by respondents than at a test-based unified exam is accounted for by a factor of bias in public opinion. The mainstream mentality does not value the idea of fair competition and public confidence in effectiveness of fair competition is low. The test-based system is more adequate for a correct selection through competitive exams than traditional exams³. In the course of a transition to a test-based unified exam the inertia of public opinion needs to be overcome. The form of a written exam is a little more acceptable for the public than oral or test-based exams. A “hidden” rationale behind this preference is that written exam is a “balanced” tool that protects students against, on the one hand, a more subjective bias of an oral exam and, on the other hand, more minutely-regulated format of a test-based exam. However, the qualitative evaluation options (“for”, “against” and “no definitive opinion”) regarding the three different forms of exams were selected in almost equal numbers by the respondents. It means that public opinion in Armenia is equally inclined concerning the sector in question. The correlation can change dramatically, when that segment of the public that has not so far made up its mind comes to a definitive conclusion. This means that respective explanatory and awareness raising campaigns should be launched by the State to ensure that those who have “no definite opinion” shift to the segment that considers test-based exams as the best option.

The monitoring of corruption risks **in the processes of school budget formation and implementation** has shown that over two-thirds of teachers and parents wish to be informed about the State funding of schools and about main expenditures of schools. School administrators are even more interested in teachers’ and parents’ being better informed about those issues. The absolute majority of those surveyed would prefer schools to be autonomous in the formation and approval of their budgets and current budgets and reports on previous year’s budgets to be presented to the teaching staff and parents. Community budget was recognized as the most acceptable source to provide lacking financial resources. Collection of money from parents was the least acceptable source for all stakeholders (parents, teachers and school

³ The fact that 20% of the respondents got the maximum score of 20 at a math exam should be seen as a manifestation of corruption and, particularly, of patronage. Here the impact of private tutors can be ruled out since under the same circumstances merely 3% of students got the maximum score in the Armenian language exam regardless of whether the latter was administered in a unified test format or in a format of a test-based final exam.

administrators). Collection of money from parents is seen as acceptable provided it is done on the basis of civilized principles and through suchlike forms. About 90% of the interviewees said that schoolteachers' salaries are low. Comprehensive schools will for a long time have to make up their budget deficit with extra-budgetary funds. In order to stimulate procurement of extra-budgetary funds the degree of comprehensive schools should be given more freedom for generation and management of extra-budgetary funds. This freedom should be matched by civilized forms of raising extra-budgetary funds and by strict adherence to transparency and accountability principles in the management of those funds. Real salaries continuously fall short of teachers' expectations. Teachers will have to look for additional sources of income. The most acceptable form for them to do so is making use of their own professional abilities⁴. Therefore, it would be unpromising and unfair to exclude them from out-of-school private tutoring. It is necessary to rule out corruption risks in this sector such as deliberate lowering of quality of teaching and prompting students to make use of out-of-school private tutoring.

The observations of corruption risks **in the area of school administration** have demonstrated that the issue of hiring and firing of school principals and teachers is at the core of corruption risks in comprehensive schools. Lack of clarity as regards powers of bodies of collective administration (Councils) in comprehensive schools results in the absence of checks and balances in the administration of the system. The management of finances of comprehensive schools is beyond the control of the major stakeholders of the system. In the opinions of the majority of teachers, school principals and members of School Councils, democratization of school administration or, more precisely, the harmonization of powers of school administration is necessary and long overdue. It was not in all cases that the recommendation made by the respondents without administrative powers to the effect that an end be put to a one-man administration of school was unacceptable. Government-run comprehensive schools are for the most part against competing on equal terms with private comprehensive schools.

Proceeding from the results of the corruption risks observations conducted by CSA groups in comprehensive schools, the following policy recommendations are made to assist the RoA Ministry of Education and Science in the formulation of the anti-corruption policy⁵:

1. To further develop the unified test-based system of evaluation of students' knowledge;
2. To raise quality of teaching in comprehensive schools;

⁴ It is undoubtedly more dignified and preferable than, for instance, work in retail trade or in other spheres of the service industries.

⁵ See the relevant section of the Final Report for the entire package of recommendations.

3. To improve the system of monitoring and evaluation of quality of comprehensive schools' operation;
4. To raise the quality of tests administered during the final exams at comprehensive schools;
5. To provide guidance to civil society regarding the issue of final exams at comprehensive schools;
6. To improve the organization of final exams at comprehensive schools;
7. To expand comprehensive schools' freedom (autonomy) in generating and managing budgetary and extra-budgetary funds;
8. To embed in comprehensive schools adequate accounting forms of raising extra-budgetary funds;
9. To ensure strict adherence to transparency and accountability principles in the management of extra-budgetary funds in comprehensive schools;
10. To harmonize powers of collective administration bodies (Councils) in comprehensive schools;
11. To democratize the system of comprehensive schools' administration;
12. To ensure competition on equal terms with privately-run comprehensive schools; and
13. To ensure that staff is properly selected and that teachers meet the requirements of the position.

INTRODUCTION

In 2003, the Government of the Republic of Armenia (RoA) adopted *Poverty Reduction Strategy Paper* (PRSP)⁶ as a cornerstone of its policy. Improved efficiency and transparency of public administration is ranked among the top priority issues in the PRSP. The Armenian Government regards formulation and consistent implementation of anti-corruption policies as crucial for elimination of poverty and for reduction in social injustice.

In 2003, the Armenian Government also adopted the RoA *Anti-Corruption Strategy and Implementation Action Plan* (ACSIAP)⁷, which outlined new institutional and administrative reforms aimed at bringing down the number of administrative shortcomings and at ensuring transparency and accountability of policy processes.

In line with its Anti-Corruption Strategy Armenia acceded to a number of important international conventions, in particular it ratified the Council of Europe *Criminal Law Convention on Corruption* and *Civil Law Convention on Corruption*⁸. Armenia is a member of the OECD (Organization for Economic Cooperation and Development) Anti-Corruption Network (ACN) for Transition Economies since September 2003. In 2004 Armenia joined the Group of States against Corruption (GRECO). In 2006, the National Assembly of Armenian ratified the UN Convention against Corruption.

The monitoring of the Government's anti-corruption strategy by public at large figures prominently in the RoA Anti-Corruption Strategy. It states, *inter alia*, that “the success of the Anti-Corruption Strategy will depend on the ability of the civil society (political parties, NGOs, trade unions) to monitor its implementation.”⁹ The Strategy also attaches significance to the following prerequisites that have to be in place for the Anti-Corruption Strategy to be monitored effectively. Those include capacity to create a corruption-monitoring group made up of civil society representatives; professionalism, competence, personal integrity, and psychological traits of those conducting the monitoring; a developed set of indicators necessary for accurate

⁶ The 8 August 2003 RoA Government Decree N 994-N *On adopting the Poverty Reduction Strategy Paper*.

⁷ The 6 November 2003 RoA Government Decree N 1522-N *On adopting the RoA Government's Anti-Corruption Strategy and Implementation Action Plan*.

⁸ The 8 June 2004 RoA National Assembly Decision N-105-3 *On ratification of the Criminal Law Convention on Corruption (and its protocols)* and the 8 December 2004 RoA National Assembly Decision N-105-3 *On ratification of the Civil Law Convention on Corruption (and its protocols)*.

⁹ *Republic of Armenia Anti-Corruption Strategy and Implementation Action Plan*, 3.1. http://www.gov.am/armversion/programms_9/korup_prog.htm

evaluation; and special training programs planned and conducted for the members of the monitoring group.¹⁰

To assist the Armenian Government in the implementation of the Anti-Corruption Strategy an Anti-Corruption Participatory Monitoring (ACPM) was developed and carried out within the framework of the *Support to information society and democratic processes* Project of the United Nations Development Programme (UNDP) in the period from September 2003 to December 2005. The natural outgrowth of the UNDP anti-corruption participatory monitoring is implemented in 2007 within the framework of the *Strengthening Awareness and Response in Exposure of Corruption in Armenia* Project.

The **goal** of the ACPM was to engage the network of operating Armenian civil society organizations in the monitoring of the RoA Anti-Corruption Strategy and of its implementation activities.

The **project objective** was to support the Armenian Government's anti-corruption initiatives and to improve democratic governance in Armenia by identifying corruption risks and subjecting the progress of the fight against corruption in health and education sectors to monitoring via a public awareness-raising anti-corruption campaign and the establishment of a network of civic groups.

The project beneficiaries are residents of the RoA regions covered by the monitoring, citizens that avail themselves of health and education sectors services, the sectors' employees and the organizations tasked with the reforms.

The project implementation received support from the RoA Anti-Corruption Council, Anti-Corruption Monitoring Commission, local authorities and regional bodies of public administration, State bodies of the executive branch of government, mass media, civil society organizations, Anti-Corruption Forum of Non-Governmental Organizations, and international and donor organizations. At the same time the project collaborated with a number of anti-corruption networks, including the OECD Anti-Corruption Network for Transition Economies and GRECO. The project drew on extensive experience of international organizations, *viz.* Organization for Security and Co-operation in Europe (OSCE), Council of Europe (CoE) and Open Society Institute (OSI).

¹⁰ Republic of Armenia Anti-Corruption Strategy and Implementation Action Plan, 3.1. http://www.gov.am/armversion/programms_9/korup_prog.htm

BRIEF DESCRIPTION OF ANTI-CORRUPTION PARTICIPATORY MONITORING METHODOLOGY (APMM)

The Anti-Corruption Participatory Monitoring Methodology (APMM) was designed by the Task Force on APMM. It incorporated the basic principles of anti-corruption monitoring in health and education sectors, target institutions and indicators. It also included an Anti-Corruption Participatory Monitoring Guide and a syllabus of a monitoring methodology-training course for CSA groups.

The APMM was grounded in the following 6 approaches:

- The framework of the monitoring was brought in line with national strategies and policies, including the PRSP, the Government's Anti-Corruption Strategy, etc.;
- The methodology and tools of the anti-corruption monitoring were designed to conform to the national monitoring system (the social monitoring system, the PRSP monitoring system, etc.);
- The process and methodology of the monitoring were brought in line with regional/community development issues;
- Instead of destructive clashes in the society/community, the principles and methodology of the monitoring provide incentives for clear-cut anti-corruption political initiatives;
- While ensuring independent monitoring by civil society, the principles of the methodology do not rule out the participation of the interested State actors;
- The findings of the monitoring are constructive and aim at making recommendations that will be submitted to top-level decision-making entities and will be included in other development-regulating frameworks.

The methodology also included methodological guidelines, responsibilities of a community group member, norms of ethic, and ground rules for conducting observations, expert interviews, focus groups and in-depth interviews.

An important feature of the anti-corruption monitoring is participatory monitoring conducted within a context of public administration. In that sense the APMM is a step ahead of other monitoring systems that exist in this country. On June 24, 2005, the RoA Anti-Corruption

Board endorsed the methodology for anti-corruption participatory monitoring in health and education sectors (Minutes N 59-79 of the Board session).

In 2006-2007, the APMM Task Force revised 38 tools of the anti-corruption participatory monitoring and identifiers, indices and indicators of specific corruption manifestations for each tool, including 19 for comprehensive schools and 19 tools for outpatient clinics and hospitals.

The monitoring in educational and medical institutions for the purposes of participatory monitoring was conducted on the basis of the following principles:

- Monitoring in education and health sectors was conducted in all RoA regions and in the city of Yerevan. All in all, the monitoring was conducted in 11 cities and towns of the Republic of Armenia.
- Urban areas were selected for the monitoring. The findings of the monitoring do not apply to health care and educational systems in rural areas.
- In Yerevan and in those cities and towns, where more than one outpatient clinics, hospitals and comprehensive schools operate, the facilities and institutions for observation were selected through random sampling procedure;
- In those towns where there is only one outpatient clinic and one hospital no sampling procedure was used.

The ACPM was conducted by the *Civil Society Anti-Corruption (CSA) Network* established by the UNDP Project *Strengthening Awareness and Response in Exposure of Corruption in Armenia*. The selection of the CSA members was done with the participation of journalists and representatives of non-governmental organizations, UNDP and Government. Members of local non-governmental organizations and representatives of the Government, media and international organizations were enlisted in the CSA Network. Participation in the CSA Network and in the monitoring was on a voluntary basis. Over 130 members of 11 CSA groups received training in the use of the methodology for and tools of anti-corruption participatory monitoring.

The ACPM was conducted by the CSA Network in April-October 2007 in 10 towns and cities of all the regions of the country and in the city of Yerevan. It involved 44 educational and 22 medical institutions. Four groups of education sector monitoring tools and 4 groups of health sector monitoring tools were made use of. The monitoring was conducted in comprehensive schools, in outpatient clinics and hospitals.

The ACPM was coordinated in the field by local partner organizations (LPOs) of the UNDP Project *Strengthening Awareness and Response in Exposure of Corruption in Armenia*. Those were Armenian Constitutional Rights-Protection Center (ACRPC), Armavir Development Center, Regional Development and Research Center, Union of Non-Governmental Organizations of Shirak region, NGO Center, Professionals for Civil Society, Millennium Association of Education and Research, and Aragatsotn Forum of NGOs and NPOs. The findings of the monitoring were analyzed and the report was developed in 2007 within the framework of the UNDP *Strengthening Awareness and Response in Exposure of Corruption in Armenia* Project.

During the 2007 monitoring awareness-raising was carried out, close ties were established with parties concerned and with target groups, in particular with local governments, patients, students, parents, staff members of educational and medical institutions and community residents.

The findings of the monitoring do not claim to be comprehensive. They encompass the issues, which were feasible for the groups that conducted participatory monitoring.

CHAPTER 1. HEALTH SECTOR

Within the health sector the monitoring focused on the provision of medication to the individuals that have the right to get medication for free or on privileged basis and whether there is correspondence between the foundations of free medical care commissioned by the State and the quality of the provided medical care. Also studied were provision of medical care and services for a fee and a personnel policy pursued by medical institutions.

1.1 Provision of medication for free or on privileged basis to people in outpatient medical institutions¹¹

The observation conducted by CSA groups with the aim of evaluating corruption risks and identifying manifestations of corruption in these medical services as well as information collected during that observation and the interview results enabled the expert group to evaluate the existing corruption risks and to provide specific recommendations on how those could be reduced. The observation results show that medications stock in outpatient facilities is replenished primarily from the following three sources:

- Centralized State procurement,
- Humanitarian assistance, and
- Provision of medication for free or on privileged basis with the money allocated by the State for the State-commissioned services.

¹¹ This process is regulated by the following normative and legal Acts:

1. The RoA 27 October 1998 Law *On Medications*.
2. The 23 November 2006 RoA Government Decree N 1717-N *On approving the lists of social groups that qualify for and diseases that entitle patients to get medication for free or at a discount*.
3. The 4 March 2004 RoA Government Decree N 318-N *On free medical care and services guaranteed by the State (with 2005 and 2006 additions)*
4. The 14 October 2004 RoA Government Decree N 1432-N *On regulating the process of placing an order, of receiving, registering and distributing the medications and medical items (MI) received in the RoA Ministry of Health's name as humanitarian assistance*.
5. The 14 August 2001 RoA Government Decree N 759 *On approving prescription forms used in the Republic of Armenia*.
6. The 28 December 2004 RoA Ministry of Health's Order N 1325-N *On approving the list of basic medications*.
7. The 27 January 2005 RoA Ministry of Health's Order N 74-N *On approving the procedure for the provision of medication for free or at a discount*.
8. The 26 February 2002 RoA Ministry of Health's Order N 100 *On approving the procedure for filling out prescriptions and giving out medications in the territory of the Republic of Armenia*.
9. The 27 January 2005 RoA Ministry of Health's Order N 74-N *On approving the procedure for the provision of medication for free or at a discount*.
10. The Standard *On provision of primary outpatient medical care commissioned by the State* (approved by the 27 December 2005 RoA Ministry of Health's Order N 1373-A).
11. *Special Terms & Conditions* concerning additional obligations and responsibilities attached to the *Contract for services commissioned by the State*.

The CSA groups conducted monitoring of the legality of the distribution of medication delivered only from one of those three sources, viz. of the medication purchased with the money allocated for the provision of medication for free or on privileged basis. Organization of the distribution of medication for free or on privileged basis starts with signing a contract with the State Healthcare Agency of the RoA Ministry of Health and with a health care facility (outpatient clinic). Provision of medication for free or on privileged basis may not exceed a contractually stipulated money limit. The monitoring identified corruption risks in the processes of:

- provision of medication for free or on privileged basis,
- setting the parameters for the RoA list of basic medications,
- funding necessary for the provision of medication for free or on privileged basis,
- notification of individuals entitled to get medication for free or on privileged basis.

Findings of the monitoring

The information collected and the results of the interviews with medical personnel and patients conducted by CSA groups during the monitoring were instrumental in identifying that corruption risks had for the most part the following manifestations:

- non-provision of medication to individuals entitled to get medication for free or on privileged basis,
- doctored (inflated) amounts of medication provided for free or on privileged basis,
- provision of medication for free or on privileged basis to individuals not entitled to that,
- provision of medication for free or on privileged basis for a bribe and/or through patronage,
- mismatch between entries made by head nurse and prescriptions recorded in patient's personal card,
- absence of recipients' signatures on prescriptions or in Head Nurse's logs, etc.

The monitoring of the procedure for the provision of medication for free or on privileged basis has shown that the procedure for the provision of medication for free or on privileged basis approved by the RoA Ministry of Health's 27 January 2005 Order N 74- N authorizes two ways for getting the medications to recipients:

1. The set of medications is purchased by outpatient clinic and stored by head nurse or in a pharmacy stall operating in the outpatient clinic and then handed out to patients on the basis of prescriptions issued internally in the clinic.
2. A contract is signed with the pharmacy (on a competitive basis and on condition that the pharmacy has a required variety of medications and operates without fail) that services patients with prescriptions. After a reporting period (of 1 month) the pharmacy together with the outpatient clinic's administration compiles a summary statement, which becomes a payment document.

The observed medical institutions also used a combined way, when distribution is done both through a commercial pharmacy and through the outpatient clinic. Such arrangements allow an outpatient clinic to accumulate a stockpile of the most expensive and important medications and to distribute them by prescriptions issued internally by the clinic. In the event the distribution of medication is done according to that principle the advantages of working with the pharmacy on a contractual basis become obvious. Those advantages are:

- Denying requests of prescribed medication is ruled out,
- Absence of unnecessary waiting and queues,
- Provision of medication through patronage is ruled out,
- Absence or forgery of recipient's signature is ruled out,
- Denying requests of prescribed medication is ruled out even when funding is irregular (according to the contract, pharmacy can provide medication on credit),
- Outpatient clinic discards a superfluous function.

As regards distribution of medication inside the outpatient clinic, it is chiefly here that corruption risks emerge. As the summary data of the observation tables presented by the CSA groups indicates, 48.5% of 204 kinds of medications prescribed to 65 patients by physicians were provided through commercial pharmacies that have contracts with outpatient clinics, while 34.3% through the outpatient clinic (by head nurse). The remaining 17.2% of the medications were purchased by patients with their own money from other pharmacies, since outpatients clinics did not have the necessary variety and quantity of medications.

Another one of the drawbacks in the procedure of the provision of medication for free or on privileged basis is formation of huge lines, even though those could be avoided. Thus, when asked what complaints and suggestions they have concerning provision of medication for free, the 65 surveyed patients complained primarily of the lines in outpatient clinics and that

sometimes they have to wait for hours (or even, as they put it, for days) for the director to put a seal on the prescription. *Thus, both the medical staff and the patients voice serious discontent with the medication provision process in the sense that paperwork takes up much of the medical personnel's time thereby contributing ultimately to the formation of long queues.*

Also conducted was monitoring of the advisability of the use of the RoA List of basic medications approved by the RoA Ministry of Health's 28 December 2004 Order N 1325-N. *It has demonstrated* that as per the requirement stipulated by paragraph 4.5 of the *Procedure for the provision of medication for free or on privileged basis* approved by the RoA Ministry of Health's 27 January 2005 Order N 74-N, the provision of medication in outpatient facilities should be done in compliance with the *RoA List of basic medications*. Non-compliance is authorized only by the decision of the commission set up by the director's order in case physicians had good grounds to prescribe the medication, which is not on the list, and the medication is absolutely necessary. Regarding that issue, the results of the interviews conducted in all the RoA regions and in the city of Yerevan reflect complaints of the patients who contend that they were prescribed "low-quality and not particularly effective medications." In other words, medications included in the *List of basic medications* are not modern and do not meet the requirements of the present-day medical science. It is noteworthy in this respect that when asked during face-to-face interviews about the grounds for turning down patients' request or for non-provision of medication, the majority of the outpatient clinics' directors mentioned the absence of the medications in question from the list. *Thus, the facts that the **List of basic medications** is not updated annually and that the medications on that list do not meet the requirements of the present-day medical science pose serious obstacles to physicians considering prescriptions and create corruption risks.*

The monitoring of the mechanisms of State funding for the provision of medication for free or on privileged basis has shown that irregular funding has a maximum adverse impact when medications are distributed in outpatient clinics. It leads to numerous occasions when legitimate request of medication are turned down, queues are formed and the phenomenon of the distribution of medication through patronage flourishes. According to the respondents, "the supplies of medications frequently run out owing to the fact that the limit (the allocated amount of money) is reached" and they have to buy medication from time to time (if they take that medication continuously). Therefore, the surveyed patients recommended that this mechanism too should be set right. *Thus, irregular and inadequate funding causes unfounded rejections of people's legitimate requests of medications.*

The monitoring of the process of awareness-raising of entitled to get medication for free or on privileged basis has shown that those individuals who had received in-patient treatment

when diagnosed with “acute myocardial infarction” and then discharged from hospital did not enjoy the rights that are granted to them by the Government Decree. The latter entitles them to get necessary medication for free from outpatient clinic for two months after they have been discharged from hospital. *Thus, patients having diseases that are on the list approved by the 23 November 2006 RoA Government Decree N 1717-N “On approving the lists of social groups that qualify for and diseases that entitle patients to get medication for free or on privileged basis” do not exercise their right to get medication for free or on privileged basis.*

Recommendations

1. The *Procedure for the provision of medication for free or on privileged basis* approved by the 27 January 2005 RoA Ministry of Health’s Order N 74-N should be thus revised so that outpatient clinic will be in a position to ensure provision of medications to patients through a licensed pharmacy operating on a contractual basis. To that end paragraph 4.6 of the *Procedure* should be removed.
2. The amount of paperwork related to the provision of medication to patients for free or on privileged basis in outpatient clinics should be reduced by decreasing the time that physicians have to allocate to that process.
3. The *RoA List of basic medications* should be updated annually by adding the new generation of the most efficient medications that meet the requirements of the present-day medical science.
4. At the time patients having diseases that are on the list approved by the 23 November 2006 RoA Government Decree N 1717-N are discharged from inpatient clinics should be given, alongside an excerpt from their case history, a leaflet with a reminder to obtain medication for free from an outpatient clinic in their neighborhood.

1.2 Correspondence between the foundations of free medical care and services guaranteed and commissioned by the State and the quality of the provided medical care¹²

CSA groups conducted observations with the aim of evaluating corruption risks and identifying manifestations of corruption in the process of matching the foundations of free medical care and services guaranteed and commissioned by the State with the quality of the provided medical care. The interview results and the information collected during the observations enabled the expert group to evaluate the existing corruption risks and to provide specific recommendations on how those could be reduced. The findings of the monitoring have demonstrated that there are following corruption risks:

1. *Possibility* of conflicting interpretations and *shortcomings* of the list of medical conditions and diseases requiring urgent medical intervention;
2. Numbers inflated because of the scope of free medical care commissioned by the State and provided on a contractual basis,
3. Non-existence of systems for evaluation of and control over the quality medical care and services; and
4. Lack of awareness on the part of the patients and absence of mechanisms for lodging complaints by patients.

Findings of the monitoring

The information collected by CSA groups during the monitoring and the results of the interviews held with medical personnel and patients have demonstrated that corruption risks manifest themselves primarily in:

1. incorrect description of patients requiring urgent medical intervention and conflicting interpretations of the list of diseases;
2. denying free medical care commissioned by the State to individuals entitled to it;
3. patients buying medications with their own money;

¹² This process is regulated by the following normative and legal Acts:

- The 4 March 2004 RoA Government Decree N 318-N *On free medical care and services guaranteed by the State.*
- *Standards for hospital medical care* approved by the 29 December 2006 RoA Ministry of Health's Order N 1558-A.
- *The list of medical conditions and diseases requiring urgent medical intervention* approved by the 27 December 2006 RoA Ministry of Health's Order N 1526-A.
- *The procedure for obtaining, receiving, storing, registering and distributing medications and medical items (MI) in hospitals* approved by the 28 December 2005 RoA Ministry of Health's Order N 1391.
- *Special Terms & Conditions* attached to the *Contract for free hospital medical care and services guaranteed by the State.*

4. a tendency to present inflated numbers of treated patients so as to fit them into the contractually stipulated scope of free medical care commissioned by the State;
5. patients leaving hospitals at will without doctor's permission;
6. discharging patients whose condition has not been improved by treatment;
7. inadequate control by doctors and nurses;
8. providing prescribed medications with delays and/or in inadequate amounts or in not providing them at all;
9. absence of patient's signature that would confirm the lawfulness of provision of medication; and
10. violating patient's rights.

The legal base that regulates the provision of free medical care and services commissioned by the State is flawed. It also contains a number of loopholes that make it possible *to deny* free medical treatment commissioned by the State to individuals entitled to it and *to demand* unauthorized payments. Other contributing factors that aggravate the situation are the rates established for free medical care and services commissioned by the State being lower than a realistic prime cost, low salaries of medical personnel, etc. An important circumstance is also the so-called "shadow" (informal) payments made by patients for quality health care. There is, however, no system in place that would estimate and control those payments. The latter constitute a formidable obstacle to the provision of medical care and services of an adequate quality and scope.

The critical appraisal of the list of medical conditions and diseases requiring urgent medical intervention has shown that free medical care commissioned by the State is provided both on social grounds (to socially vulnerable groups) and on medical grounds (medical conditions and diseases requiring urgent medical intervention). It requires a referral given by a competent body of public administration or a decision made by the Board of the medical facility (within 4% of the allocated funding). According to the provision of paragraph 8 of the Standards (approved by the 29 December 2006 RoA Ministry of Health's Order N 1558-A), patients entitled on social grounds to free medical care are required to present to a healthcare facility the documents that prove their status. To qualify on medical grounds for free medical care commissioned by the State the condition and diagnosis of the patients should correspond to the list of medical conditions and diseases requiring urgent medical intervention. In the course of the observations conducted by civil society anti-corruption groups in 18 out of examined 116 (or 15.5%) case histories in a random sample the patients' diseases did not meet the requirements for free medical care commissioned by the State. 13.8% of those cases got referrals on medical

grounds. The main reason for the mismatch is an extremely limited list of diseases. Alongside continuous shrinking of the said list, an attempt is made to reach a balance between small appropriations amounts and actual cases. However, the narrowing and shrinking of that list result in many cases requiring urgent medical intervention falling outside the framework of the State support. Thus, *the list of medical conditions and diseases requiring urgent medical intervention is limited and does not reflect the existing needs since in terms of scope it is directly dependent on the allocated financial resources. The shortcomings of the list of medical conditions and diseases requiring urgent medical intervention not only enable medical doctors to show inflated numbers of treated patients but also in many cases deprive patients, who require urgent medical intervention, of the State-provided care.*

The monitoring of the inflated numbers of patients treated within the framework of free medical care commissioned by the State has demonstrated that State funding is provided *ex post facto* on the basis of actual performance, i.e. based on the number of treated and discharged patients. Unless the healthcare facility presents the adequate number of treated patients, it will be given only a part of the contractually stipulated funding. Often the number of patients treated within the framework of free medical care commissioned by the State is inflated to justify the scope of work planned by the contract, especially in those cases when contacts for State-commissioned services are drawn up without taking into consideration the existing capacity of a given healthcare facility. However, as the results of the observations indicate, some medical institutions faced difficulties in terms of always ensuring the required documentation. For example, a patient from a socially vulnerable group and in need of urgent medical intervention is brought to an in-patient facility. If the condition or disease he/she is diagnosed with is not on the list of the diseases, which are given free State-commissioned treatment, or after he/she is brought out of the critical condition, a fee will be charged for further treatment, unless he/she presents a required referral from outpatient clinic. In this situation, issuing of referrals retroactively by outpatient clinics creates corruption risks. According to the data presented by the civil society anti-corruption groups, the RoA Ministry of Health did not fund 6.7% of the entire amount of actual performance. This inflated average figure (6.7%) of free State-commissioned medical care that was not reimbursed is quite a high value when compared to percents of an envisaged average annual growth for concrete budget lines for medical care provided “on social grounds” and “on medical grounds”. Those averaged percents are 13.0% and 3.2% respectively. Thus, *in anticipation of getting an additional State funding, the limited budget of free State-commissioned medical care is artificially exaggerated, thereby giving grounds subsequently for inflating the actual performance of free State-commissioned medical care.*

The monitoring of the evaluation of and control over the quality of medical care and services has shown that in 8 (or in 19.0%) out of the 42 cases observed with the aim of ascertaining the quality of the provided medical care, patients were discharged without doctor's instructions to do so. In 9 (or in 18.7%) out of the 49 cases, patients were discharged with no improvement in their condition after the treatment received, while in 14 (or in 12.7%) out of the 111 cases, the technique of drug treatment of patients was violated. On the whole, the above-mentioned cases should be qualified as inadequate medical care. Out of the total of 202 cases observed from that perspective inadequate medical care was discovered in 31 cases (or in 15.3% of the total number of cases). Considering the situation, it is not possible to regard the remaining cases as of quality, since the quality standards are not approved in the country. From that perspective, the situation is unmanageable. The first two cases are very simple. When patient leaves hospital at will, without doctor's authorization to discharge him, thus not completing the treatment, and when patient's condition has not been improved by treatment or patient has not been cured, the condition remains unchanged. As regards the third case, *viz.* violation of the technique of drug treatment of patients, it often occurs, when more or less medication is given to patient than prescribed by doctor. It can primarily be accounted for by *flaws* in the mechanism of internal circulation of medications, *negligent performance* of duties by head nurse or by nurses at first aid post or, possibly, by *deliberate action*. The improper mechanism of circulation of medications brings forth corruption risks and undoubtedly has an adverse impact on the quality of medical treatment in all the cases mentioned above.

Interviews on the quality of medical treatment were held with the patients who had been discharged from a healthcare facility after receiving free medical care commissioned by the State. The results of the interviews show that 29 (or 49.1%) of the interviewed 59 patients made additional payments at the time they were receiving free medical care commissioned by the State. During the treatment, 25 of them (or 42.4% of all interviewed) bought medications with their own money. According to the patients, that happens because of:

1. a declarative nature of free medical care commissioned by the State,
2. unrealistic tariffs set for medical care commissioned by the State and given to patients for free, and
3. weak control over medical institutions by a competent body of public administration.

As regards the evaluation of medical care quality by the surveyed patients, the response was mixed since the concept of "medical care quality" is all encompassing and too broad. Therefore, each interviewee approached the issue from his or her own perspective, thereby giving grounds to construe their evaluations also as an assessment of the extent to which their

expectations were met in terms of the provided medical care filling their needs. Thus, 44.0% of the interviewed patients evaluated the quality of medical care as “satisfactory”, 42.4% as “good”, 6.8% as “excellent” and another 6.8% as “unsatisfactory”.

The summing up of the results of the focus group sessions held with doctors on the quality of medical care made it possible to identify the following principal comments and recommendations.

According to the doctors, the factors that hinder the provision of high-quality medical care are:

1. inauspicious hospital conditions,
2. low salaries of medical personnel,
3. non-targeted use of funds in hospitals,
4. unsound personnel policy in hospitals,
5. lack of the latest medical equipment.

The doctors’ recommendations to raise the quality of medical care are:

1. a pay raise for medical personnel,
2. sound personnel policy in hospitals,
3. improving legal status of a healthcare facility,
4. improving financial situation of a healthcare facility,
5. control over and regulation of work,
6. improving working conditions,
7. improving laws and currently active regulations.

Thus, the non-existence of standards for evaluation of and control over the quality of medical care creates a climate of uncontrollability and leads to violation of treatment techniques. Regardless of whether patient received quality or inadequate treatment or treatment failed to improve patient’s condition the payment requested is the same, as those drastic differences are not taken into account.

The results of the observations of the mechanisms for raising patients’ awareness and for lodging complaints by patients show that 29 (or 49.1%) of the interviewed 59 patients made additional payments at the time they were receiving free medical care commissioned by the State. During the treatment, 25 of them (or 42.4% of all interviewed) bought medications with their own money. The underlying reasons are manifold and diverse. Low level of patients’ awareness of their rights should be pointed out among the most likely reasons. The findings of the monitoring give food for thought and they indicate that serious steps have yet to be made to

increase public confidence in the healthcare system. That patients' needs are not adequately met or that they evaluate the quality of medical care as low can be accounted for first and foremost by the fact that their rights are not fully exercised or that those rights are sometimes violated. However, since the process is non-transparent of the processes the possibility for patients to influence the situation is virtually non-existent. The availability of mechanisms for lodging complaints would significantly contribute to patients' leverage in individual cases.

Thus, patients' inadequate awareness contributes to a serious increase of the financial burden placed on them. Patients, who are unaware of their rights, in particular of the scope of free medical treatment commissioned by the State, make "informal" payments more often.

Recommendations:

1. Free medical care commissioned by the State for all medical conditions and diseases requiring urgent medical intervention should be provided without limiting the cases and instead setting a clear-cut timeframe for the treatment duration or for a 3 to 5-day deadline for getting the patient out of a critical condition.
2. The RoA Ministry of Health should increase control to make sure that contractually stipulated scope of the State-commissioned medical care and services is reasonable.
3. The RoA Ministry of Health should design and introduce standards for evaluation of and control over the quality of medical care and services.
4. The patients, who qualify for free medical treatment commissioned by the State, should be informed about their rights and the amount of medical care as soon as they get into the hospital's admission room. That should be done by providing them with a sealed and signed form that can subsequently be used for lodging a complaint, if necessary.

1.3 Provision of paid medical care and services¹³

CSA groups conducted observation with the aim of evaluating corruption risks and identifying manifestations of corruption in the provision of paid medical care and services

¹³ This process is regulated by the following normative and legal Acts:

- The RoA Law *On medical care and services for population*;
- The RoA Law *On joint-stock companies*;
- The RoA Law *On minimum monthly wages*;
- Decisions made by a competent body of public administration and by a healthcare facility Board and director's orders that regulate paid services;
- *Special Terms & Conditions* concerning additional obligations and responsibilities attached to the *Contract for free medical care and services commissioned by the State*;
- The Standard *On organizing free medical care and services guaranteed by the State*.

(hereinafter, the paid services). The results of the interviews conducted and the information collected during that observation enabled the expert group to evaluate the existing corruption risks and to provide specific recommendations on how those could be reduced. The corruption risks and manifestations here are called forth primarily by the absence of *legislation* and of medical and economic *standards* that regulate provision of paid services in medical institutions, and of *general approaches* to price formation and revenue distribution. The findings of the monitoring have demonstrated that there are following corruption risks:

1. Approval of price lists by medical institutions without coordination with a competent body of public administration;
2. Unrealistic tariffs set by medical institutions for the provision of medical care and services;
3. Non-targeted use of the revenue generated by paid services.

According to the provisions laid down by the RoA Law *On medical care and services for population*, since July 1997 some informal payments were legalized. In other words, those medical services, which are not included in a basic healthcare services package (BSP) funded from the State budget, can be provided for a fee legitimately charged from customers. Nevertheless, the sphere of paid services in health sector has so far been hardly regulated by the State. The calculation of tariffs is not anchored in some well-substantiated price-formation methodology and those tariffs are not for the most part transparent. The administration of medical institutions sets tariffs for medical care and services at will. The tariffs for medical services are also influenced by the “unjustified” rates of compensation paid by the State to medical institutions for medical care and services commissioned by the State and provided to patients for free.

On the whole, the price-formation issue in health sector is addressed here in the aspect of price-formation for both State-commissioned free medical care and services and for medical care and services provided for a fee. The rates of compensation paid by the State to medical institutions for medical care and services commissioned by the State are set by the RoA Ministry of Health and are based on the currently available funds. They are not based on actual costs incurred for the provision of services or on prime cost of the latter (according to some estimates, the real prime cost is about three times higher¹⁴). As far as the price-formation for paid services is concerned, the tariffs are rarely based on economic calculations. Price-setting in medical institutions fully or partially owned by the State is usually guided by the tariffs set for diseases, the treatment of which is commissioned by the State. That is primarily accounted for by the fact that medical institutions do not have an alternative. Not infrequently, by mirroring the tariffs for

¹⁴ *Human poverty and pro-poor policy in Armenia*. Yerevan, UNDP, 2005.

the services commissioned by the State they try to place responsibility for validity of prices on the Ministry of Health. On the other hand, unreasonably low tariffs for the services commissioned by the State provide an opportunity to demand informal payments for medical services. Under the circumstances, lack of relevant support and control on the part of a competent State body impedes medical institutions to make right decisions concerning general *approaches* to calculation of tariffs for medical services, *targets* for the use of revenues generated through the provision of paid services and cases of default on payment for paid or partially paid medical treatment.

Results of the monitoring

The information collected and the results of the interviews with medical personnel and patients conducted by civil society community groups during the monitoring were instrumental in identifying that corruption risks had for the most part the following manifestations:

1. unlawful (“shadow”) payments made compensate for real expenses;
2. instances when legally made payments were not registered;
3. instances when the cost of medical treatment set by the price list is paid only partly to a varying extent;
4. arbitrary violations of priority spending targets for the money raised through paid services.

Monitoring of price-list formation and revenue generation in medical institutions

According to the fact sheets presented by medical institutions, on the average 83.0% of their earnings are funds transferred from the State budget for the provision of State-commissioned medical services and 5.0% are other earnings, while paid services account for only 12.0%. The data show that official free-market relations have not yet taken root in the sector and that costs related to medical care and services provided for a fee are for the most part covered with the State budget money. Such a low level (12%) of earnings from the provision of paid services can primarily be accounted for by inadequate distribution of the earned money on the part of medical institutions, since appropriate remuneration mechanisms that would stimulate specifically mentioned activities are lacking. In the course of the observation 52 cases of patients that had received medical treatment for a fee in hospital and then discharged were examined. The results demonstrate that only in 38 (or 73% of) cases payment was made in full as per the price-list. In the remaining 14 (or 27% of) cases, the cashier’s desk in medical institution accepted, without any explanation, the amounts that were lower than those stated by the price list. Even though during the observation no case was registered of a default on a payment for the provision

of services for a fee, however, the administration of medical institutions did not rule out such occurrences.

During the observation an attempt was also made to clarify what part of the X-rays was commissioned by the State or was taken for a fee and what part was not paid for. The observation has shown that in the event medications and bandaging materials are scarce or unavailable in medical institutions, patients are often advised to buy those with their own money. However, the situation is somewhat different regarding laboratory tests and tests with the use of tools, when patients cannot buy chemicals or X-ray films on their own. In that case medical personnel from a relevant department would purchase the required things with their own money and patients would then reimburse them. The summary data of the interviews held with patients testify that in 27 (or 47,5%) of 57 cases the patients receiving medical treatment within the framework of the State commission replied that they had made additional payments. 64.9% of the same patients made additional payments for laboratory tests and tests with the use of tools. According to the RoA MH-approved standards for hospital medical care, all sorts of medical and paramedic services, tests, medical advice and all those interventions and medical means prescribed by doctors fall within the province of services commissioned by the State.

Thus, such a low level (12%) of earnings from the provision of paid services can primarily be accounted for by a number of factors and constitutes a serious obstacle to further evolution of the healthcare system. Failure to coordinate price lists with a competent body of public administration and to exercise appropriate financial control leads in medical institutions to groundless discounts on price lists or to defaults on payment. Sometimes several different price lists are effective in the same medical institution thereby affording an ample opportunity for maneuver in terms of extracting informal payments.

Monitoring of current prices for medical care and services in medical institutions

According to the summary data of the observation results, the tariff set for State-commissioned services amounts on the average to 132.6% of the actual prime cost of treatment per patient in medical institutions and to 81.2% of the tariff for paid services. The data testify that the tariff set for State-commissioned services exceeds both the actual prime cost and the tariff set for the treatment of the same disease for o fee. Under the circumstances it should be borne in mind that actual costs of medical care or the patient's cost burden incorporate also informal payments that are not included in the actual prime cost since they were not registered through an appropriate accounting procedure. A significant difference between the averaged cost of paid medical care and the average tariff set for State-commissioned medical treatment (50.8%) is accounted for by the fact that medical institutions still find it advisable to set low tariffs for paid medical services as that enables medical personnel to demand higher informal payments than they would, if the tariffs were higher. *Thus, the cost borne by patients is for the most part invariable and stable. What should be changed are the shares of "official" and "informal" payments in patient's overall costs. Unrealistic tariffs set for provision of paid medical care and services in medical institutions enable medical personnel to balance the lacking portion of finances with informal payments they demand from patients.*

Monitoring of the distribution of revenues generated by paid services

According to the fact sheets presented by medical institutions, on the average 58.0% of the expenses are earmarked for remuneration of work and for mandatory allocations for social needs, 30.0% for utilities, maintenance and other costs and merely 12.0% for medications and medical items. At first glance it may seem that allocation of a large percentage of funds to salaries is a positive indicator. However, in the situation when several individuals share one position, the lion's share in the internal structure of funds earmarked for salaries belongs to allocations made to the Social Fund and to other mandatory allocations. The high percentage of funds earmarked for salaries and of utilities and maintenance costs depletes funds that could be earmarked for purchasing medications and medical items in adequate quantities. The share of allocations for medications and medical items constitute merely 12.0% in the structure of expenditures, whereas in an approximate breakdown of the unit cost of the State-commissioned medical treatment the share of medication and bandaging materials cost is estimated to be about 25-30%. Naturally enough, insufficient funds in that budget line are supplemented with informal payments made by patients directly to medical personnel. The underlying reasons for informal payments are manifold and multi-factor. However, they are for the most part objective and are brought forth by systemic problems that beset the health sector. *Thus, since they do not have*

specific mechanisms for price-formation and for distribution of profits brought in by paid services, medical institutions frequently violate the priorities and proportions of expenditures. The latter are not controlled by a competent State body.

Recommendations

1. The mechanisms of State regulation of paid medical care and services should be outlined by law.
2. The current temporary price lists of paid medical care and services in the State-run medical institutions should be reviewed and endorsed every year by a competent State body.
3. A competent State body should introduce in medical institutions the price-formation mechanisms as well as mechanisms for distribution of revenues generated through the provision of paid services.
4. Control by a competent State body over the compliance of medical institutions with expenditure priorities should be enhanced.

1.4 Patronage and personnel policies¹⁵

CSA groups conducted observation with the aim of evaluating corruption risks and identifying manifestations of corruption in the sphere of patronage and personnel policies. The results of the interviews conducted and the information collected during that observation enabled the expert group to evaluate the existing corruption risks and to provide specific recommendations on how those could be reduced. The corruption risks and manifestations here are brought forth primarily by the excessive number of staff members in medical institutions (especially in urban areas), by unsound personnel policies in medical institutions and by the absence of an established procedure for medical personnel selection on a competitive basis. The findings of the monitoring have demonstrated that there are following corruption risks:

1. absence of an established procedure for medical personnel selection on a competitive basis;
2. the actual number of exceeds the optimal number;

¹⁵ These activities are regulated by the following normative and legal Acts:

- The RoA *Labor Code*;
- The 11 September 2001 RoA Law *On salaries*;
- The 17 December 2003 RoA Law *On minimum wages*;
- The 27 October 2001 RoA Law *On joint-stock companies*, HO-232;
- The 15 August 2002 RoA Government Decree N 1300-N *On establishing State administrative institution "Staff of the RoA Ministry of Health" and on approving the Statute of the RoA Ministry of Health and the structure of the staff.*

3. low level of earned incomes of medical personnel;
4. impossibility to protect the contractually stipulated rights of medical personnel.

The personnel policies pursued and patronage approaches prevalent in the present-day healthcare system bring about risk situations fraught with manifestations of corruption. Patronage itself is regarded as a manifestation of corruption since it always goes hand in hand with expectations of “consideration.” The expectations can be of both financial and non-financial consideration. The imperfections of the documents that lay out medical personnel’s rights and responsibilities have led to arbitrariness and have provided fertile soil for corruption. The imperfections of the mechanisms that clarify rights, interests and responsibilities of the medical care recipient and provider further expand corruption risks. Thus, the existing stereotypes of “patient-doctor” and “citizen-medical institution” relations as well as certain traditions, including the mind-set that prefers informal payments made directly to medical personnel, bring out corruption risks. At the same time, medical personnel, too, are inclined to demand informal payments from patients because do not have adequate remuneration and in many cases their salaries do not ensure even the minimum living standards.

In terms of bringing forth corruption risks, the main flaw of personnel policy is lack of appropriate objectivity, transparency and control mechanisms. Thus, even though the legislation requires personnel selection to be made on a competitive basis that is not the case in reality owing to the absence of the procedure. As a result, the selection of personnel is made arbitrarily, thereby entailing corruption risks. At the same time, the competent State body’s control mechanisms over the filling of the administrative and medical personnel positions in heal sector and over the effectiveness of their operation are flawed. That, too, boosts corruption risks. In particular, a relatively excessive number of staff members is conducive to informal payments. Furthermore, low efficiency of administration in medical institutions, inadequate transparency and imperfection of control mechanisms also contribute to provision of low-quality services. The latter can be seen as medical care quality-related corruption that violates the rights of patient as a client to be provided with medical care.

Results of the monitoring

The information collected by civil society community groups during the monitoring and the results of the interviews held with medical personnel and patients have demonstrated that corruption risks manifest themselves primarily in:

1. the loss of medical personnel’s skills (low-quality medical care),
2. the request of informal payments (against the background of medical personnel’s low salaries),

3. the provision of low-quality medical care (quality-related corruption);
4. groundless dismissals (violation of medical personnel's rights),
5. other instances of violation of medical personnel's rights.

The monitoring of how the procedure for personnel selection on a competitive basis is followed has produced quite interesting results through interviews held on personnel policies with directors and staff of medical institutions. 63% of the directors replied “yes” and 37% “no”, when asked, whether the procedure for personnel selection on a competitive basis is followed. However, when a probing question of how that procedure was followed was asked, no respondent who had answered in the positive to the previous question was now able to provide a detailed and definitive answer. In contrast to some directors, 90% of doctors denied the use of the procedure for personnel selection on a competitive basis, with the remaining 10% finding the question hard to answer. Thus, a conclusion can be drawn from the doctors' responses that there are serious gaps and flaws in the personnel selection and hiring. Thus, the application of the established procedure of personnel selection on a competitive basis should be mandatory for all medical institutions. The reason is the medical staff selection based on the principle of arbitrariness and patronage is fraught with serious corruption risks and has an impact on their work style subsequently. Staff selection in medical institution is not made on a competitive basis. Under the circumstances, in some cases level of professional training and professional qualifications of medical personnel is not regarded as a primary criterion, thereby paving way for arbitrariness- and patronage-based approaches.

Results of the monitoring of the optimal number of medical personnel

During the interviews with medical personnel, when asked, if indeed several individuals share the same position, the overwhelming majority (70%) of the interviewees replied in the positive. It is yet another evidence of the necessity to reduce the number of employees. However, even though the staff reductions were made under the guise of “optimization”, soon medical institutions reached almost the same number of employees. That happened, however, without selection on competitive basis. The selection was arbitrary. As a result, instead of reduction in quantity, there were reductions in quality. Thus, *Weak control and failure to apply the procedure of competitive selection are also conducive to favoritism and unsound personnel policy taking root. The staff lists swollen because of the absence of the standards and of the methodology necessary for the calculation of the optimal number of medical personnel and inadequate control by a competent State body over the compliance with the assigned number of staff positions bring about risk situations fraught with manifestations of corruption.*

The monitoring of the legitimate incomes of medical personnel has shown that an excessive number of staff members is specific to medical institutions in big cities, when one staff position can be split between two or even three employees. In outlying regions the situation is different, even opposite. The facts sheets submitted by medical institutions provide evidence of the actual number of employees exceeding that of staff positions in medical institutions. It should be pointed out that low salaries are for the most part accounted for by the fact that the full pay is split between persons occupying a single position. The situation is a result of wrong personnel policy and of poor control. 100% of the interviewees replied “yes”, when asked, if the salary is fixed. When asked, whether the price-formation and distribution mechanisms are regulated, 100% of the respondents said “no”. It follows then that the mechanisms and principles of distribution are flawed or non-existent. As a result, it is impossible to make the remuneration of the medical personnel adequate to the scope and amount of the work done. *Thus, low salaries of medical personnel and delays in their disbursement provide fertile soil for informal payments to take root. Not infrequently, in medical institutions one staff position is held by two or more individuals and in some cases that provides solution to social problems and to the problem of having a sufficient number of relevant specialists. However, a low level of medical personnel’s salaries entails high corruption risks and the resulting informal payments will under the circumstances tend to increase.*

According to the monitoring of the protection of medical personnel’s contractually stipulated rights, 60% of the interviewed doctors believe that when they treat patients, they find themselves under the administration’s pressure and they feel constrained. Doing work that is below their qualifications or not having full workload is often accounted for by the administration’s arbitrariness. Doctors face quite a complicated necessity of pleasing both the patient and the administration at one and the same time. *Thus, the personnel policy principles applied by the administration of some medical institutions violate in certain cases the medical personnel’s rights and bring forth situations of corruption. Under the circumstances the medical personnel’s anxiety about losing their jobs and the absence of clear mechanisms for lodging complaints pose serious obstacles to rectifying the situation.*

Recommendations

1. The RoA Ministry of Health should establish a procedure for filling vacancies in medical institutions fully or partially owned by the State through selection on a competitive basis.
2. The RoA Ministry of Health should establish control over the process of approval of staff positions lists in medical institutions fully or partially owned by the State so that the optimal number of employees is not exceeded given the estimated payroll fund.
3. The minimum salary for medical personnel in the healthcare system should be set not per staff position but per employee. It should be based on the minimum cost of living for 2 persons and on the factor of complexity of medical personnel's work.
4. Mechanisms for lodging complaints should be designed and introduced for cases when contractually stipulated rights of doctors, paramedics and junior medical personnel are infringed upon.

CHAPTER 2. GENERAL EDUCATION SECTOR

Corruption risks in the general education sector were examined in the areas of truancy, evaluation of knowledge, out-of-school private tutoring, final examinations in comprehensive schools, school budget formation and implementation and school administration. The monitoring has shown that a large number of the examined issues are of strong interest to the general public, including comprehensive school students and their parents as well as school principals, teachers and representatives of Regional Governors' Offices responsible for education sector.

2.1 Truancy, evaluation of knowledge and out-of-school private tutoring

The monitoring of corruption risks in the general education sector aimed at identifying and evaluating corruption risks, their prevalence and root causes in the present day routine of comprehensive schools. As such, reviewed were:

1. High-school students' unauthorized absences, including students who, despite their enrollment in schools, do not attend classes at all but nevertheless get a high-school diploma¹⁶;
2. Partiality in evaluation of students' knowledge, which distorts one of the principal functions of the education system, *viz.* the classification of students by the level of their knowledge;
3. Out-of-school private tutoring¹⁷ that undermines the process of transferring to students the knowledge, skills, capacities, which is required by the standards set by the State.

The monitoring of the above-mentioned phenomena was conducted with the use of focus group discussions, observations, standardized questionnaires, and face-to-face interviews targeting major stockholders in the general education sector, i.e. students, parents, teachers and school principals. Four schools were observed in each region (including Yerevan). All in all, 44 schools were observed. Hundred and thirty-two group discussions were held. 1,109 individuals took part in the group discussions. 1,142 standardized questionnaires were filled out. Face-to-face interviews were conducted with school principals. 33 standardized questionnaires were filled out in the course of those interviews.

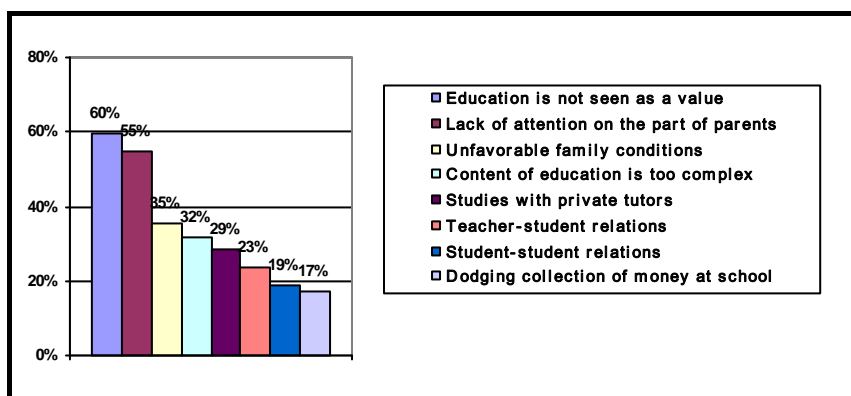
¹⁶ Those "phantom" students are often called "dead souls".

¹⁷ Out-of-school private tutoring means unofficial studying of a specific subject with the school teacher for fee.

Results of the monitoring

The monitoring of unauthorized absences in comprehensive schools has revealed that the truancy phenomenon in comprehensive schools is both of administrative and social nature, as reflected in the responses given by the respondents regarding the root causes of unauthorized absences (See Diagram 1).

Diagram 1.



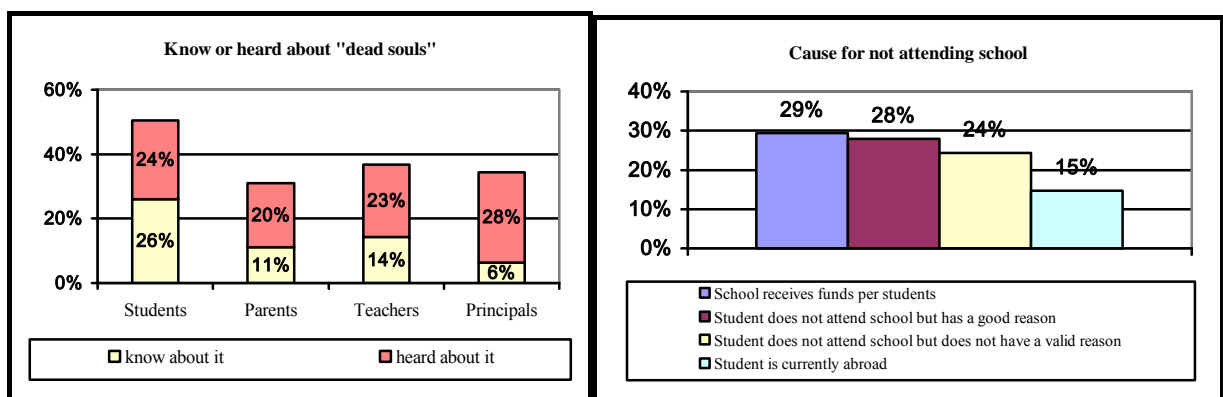
The primary root causes of unauthorized absences from school are “education is not seen as a value”, “lack of attention on the part of parents” and “unfavorable family conditions”. Those are an upshot of the society’s value system and of the student’s social status, i.e. they are outside the school. In terms of prevalence, the “complexity of the content of education” and “studies with private tutor” are secondary root causes. They are related to the standards (curricula) and quality of the system of general education. Inter-personal conflicts in schools, including conflicts between students (in-group conflict) and conflicts between students and teachers, constitute tertiary root causes. It turned out that students from relatively better-off families are more inclined to come into conflict with teachers and truancy sometimes becomes one of the forms of the expression of that conflict. The quaternary, in terms of prevalence, root causes deal with “protection against financial losses”, when students plays truant in order to dodge the announced or expected collection of money at school.

Control over unauthorized absences at comprehensive schools is unsatisfactory. Over 40% of those surveyed pointed out that unauthorized absences either are recorded only partly, if at all, in class registers. Observations found out that recording unauthorized absences retroactively is a common occurrence. The loosening of control over the recording of unauthorized absences makes the social component more influential. Truant students with a good academic record are, as a rule, from well-to-do families, while truant students with a bad academic record are from low-income families. Students from low-income families and with a good academic record do not, as a rule, miss classes without a legitimate reason. A leading cause

of truancy for the students from well-to-do families and with a good academic record is out-of-school studies with a private tutor, while for the students from low-income families and with a poor academic record the leading causes are lack of attention on the part of parents, non-recognition of the value of education and unfavorable family conditions. When teachers do not record unauthorized absences of students from well-to-do families, there is primarily an ulterior motive behind that. In other words, *corruption risks related to truancy are found in the relations with students from well-to-do families*. In case of students from low-income families, an already accumulated large number of absences predominate. The respondents believe that stricter control over truancy can decrease the related motives of personal gain. Comprehensive school can to some extent neutralize the overall influence of social causes only within the framework of its goals and objectives. *Thus, a large number of unauthorized absences of comprehensive school students gives rise to corruption risks, when truants are students from well-to-do families. The main root causes for students' truancy are out-of-school instruction by private tutors and too complicated content of school education. The latter reason is directly related to quality of teaching in comprehensive schools.*

“Dead souls” in comprehensive schools. The monitoring has shown that this phenomenon is fairly widespread and that many respondents are aware of it. The overwhelming majority of the so-called “dead souls” are senior high school students. A sizeable group of the respondents either knew or heard about this phenomenon (See Diagram 2).

Diagram 2 “Dead souls” in schools



In particular, 26% of the students know such case, while 24% have heard about it. Since the issue of “dead souls” is directly related to manifestation of explicit corruption, it is quite sensitive. As a result, respondents tend to understate their knowledge of the phenomenon¹⁸. Owing to the sensitive nature of the issue under review, the corruption causes related to the

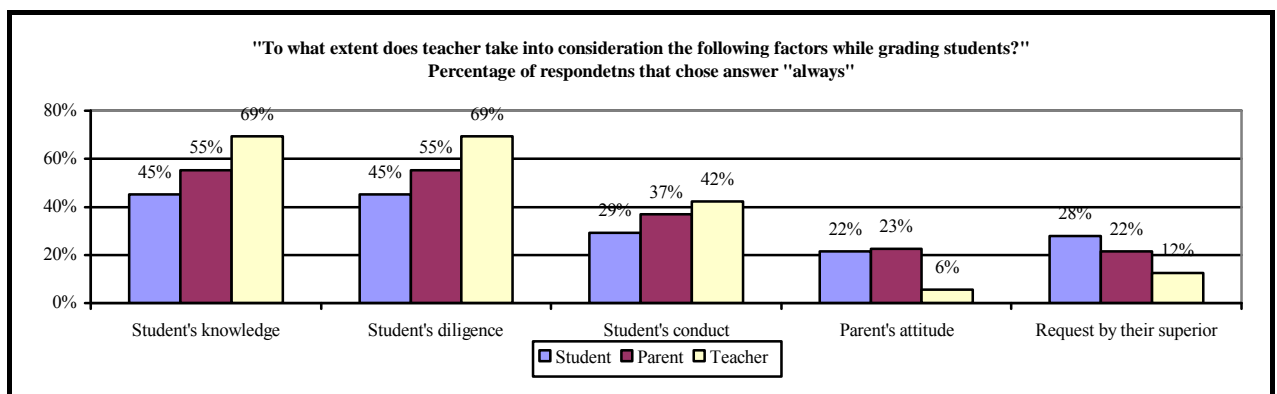
¹⁸ The responses given by students are more likely to be closer to reality than those given by adults who have more compelling (direct or indirect) reasons to not speak about the phenomenon.

phenomenon were stated in a milder version in the standardized questionnaire. Nevertheless, corruption was cited as a cause of the phenomenon in about 70% of cases. During the group discussions the participants spoke reluctantly and cursorily about the issue in question. However, during face-to-face interviews they stated unequivocally that the phenomenon is downright and undisguised corruption that discredits the entire system of general education. In the course of the face-to-face interviews the respondents advised the interviewers to watch transfers of senior high school students from school to school in a new academic year in order to identify “dead souls”. There are schools that are not noted by public opinion for their high quality of education, yet they have a large influx of high school students. It is the schools where this corruption phenomenon exists.

Thus, prevalence of the phenomenon of “dead souls” is an extreme manifestation in general education sector of the ubiquitous commercialization of morals in the society at large. The phenomenon indicates that in the present-day social relations having an education certificate is sometimes more important than having knowledge.

The monitoring of grading-related issues in schools has revealed that students in comprehensive schools are graded on the basis not only of their knowledge and diligence but also of such factors that are unrelated to students’ knowledge (See Diagram 3).

Diagram 3. Factors that affect grading of students



The response options were given on a scale from 0 to 5, with 0 standing for “Never” and 5 for “Always”.

The corruption factor is played out in the grading of a student directly, when “a parent’s attitude towards teacher” affects grading, and indirectly, when a grade is given by teacher at the request of a person higher up in the hierarchy. Evaluation of prevalence of all factors that affect grading is dependent on the respondent’s status. Students, parents and teachers alike admit in

principle that all the above-mentioned factors affect grading; they, however, differ in assessing the extent to which those factors affect grading. Teachers attach more significance to students' knowledge and diligence as factors affecting grading, while students emphasize parents' attitudes towards teachers and a request by teacher's superior. About 70% of students and parents believe that while grading students, teachers are more or less influenced by parents' attitudes towards them. It is disquieting that every fifth surveyed student believes that grading by teachers is always influenced by parents' attitudes and that every third student believes that grading by teachers is always influenced by a request made by teacher's superior. Teachers' views on the issue are noteworthy. Every fifth teacher pointed out that both parents' attitudes and a request made by teacher's superior are always taken into consideration at the time of grading. 65% of teachers and school principals indicated that at the time of grading, teachers are to some extent influenced by a request made by their superior. It means that honoring their superior's request as regards a grade is perceived by teachers not as corrupt conduct or interpersonal relations (which are almost always seen by the society at large as a negative phenomenon) but as a norm. The observation findings provide clear evidence that moral and civic education in schools is seriously flawed. Practically, evaluation of students' knowledge is widely used as a tool of moral education. About 90% of students and parents, 32% of teachers and 52% of school principals mentioned that at the time of grading, teachers take students' conduct into consideration to some extent.

The maximum intolerance towards corruption factors is displayed by school principals. Nevertheless, as regards taking parents' attitudes and a request made by teacher's superior into consideration at the time grading, 10% and 20% of them respectively find that acceptable. In case of teachers, every third of them (32.8%) find it acceptable that a request made by teacher's superior is taken into consideration at the time of grading. 15.6% of the surveyed parents find it acceptable that teachers take into consideration parents' attitudes when they grade students. From the perspective of instilling a value system in the younger generation it is unsettling that a request made by teacher's superior or parents' attitude is taken into consideration at the time grading is believed to a varying degree acceptable by 40% and 33.4% of students respectively. 28.6% of parents find it somewhat acceptable that their attitudes are taken into consideration, while 34.7% of parents find it acceptable that a request made by teacher's superior has an influence at the time of grading.

It is not a rare occurrence in schools that grades are given retroactively. The underlying motives for that practice may or may not be corruption. Giving grades retroactively because of a

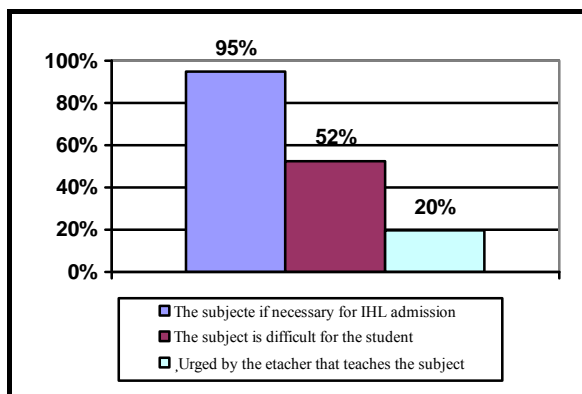
parent’s attitude or a request made by teacher’s superior is sometimes used to raise a grade for a semester or an academic year. It is then an act that has an unmistakably corruption motive. 40% of the respondents pointed out that the giving of grades in schools retroactively may have corruption motives.

Thus, at present, comprehensive schools bring up a generation that is more lenient to corruption than their parents were. As regards grading in schools, the prestige of high grades brings forth corruption risks. High grades enjoy prestige primarily with parents in well-to-do families and that increases corruption risks given the current salaries of teachers. Much smaller significance of school grades in non-graduating classes, in terms of admission to IHLs, contributes to lowering of corruption risks¹⁹. With the introduction of high school, the grades received in middle school will again acquire significance, as the access of students to high schools is predicated on those grades and will, therefore, generate corruption risks.

The issue of out-of-school private tutoring was regarded by all status groups in this study as a most important one among the issues under review. It is natural since, as evidenced by studies, over 90% of the population of Armenia find higher education a must for their children to be able to succeed in life.

3 main causes for out-of-school private tutoring were examined. While two of them, viz. “the subject is necessary for IHL admission” and “the subject is difficult for the student”, are not corruption causes per se, they can, however, indirectly bring forth corruption risks. The third cause, “urged by the teacher that teaches this subject”, is openly a corruption cause. The prevalence of the causes is shown on Diagram 4.

Diagram 4. Causes for out-of-school private tutoring

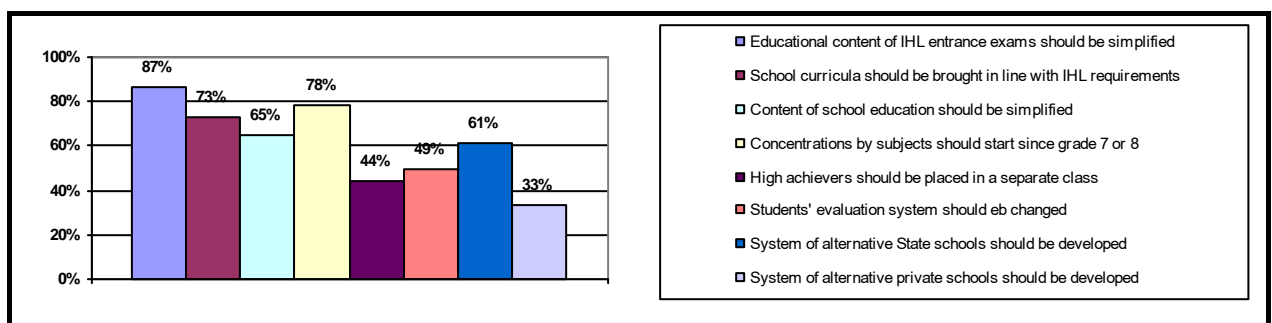


¹⁹ In the event contenders get equal IHL admission scores an average grade of the school grade report attached to the graduate certificate is taken into consideration as a third factor.

The main and the most common cause for out-of-school private tutoring are *inferior quality of teaching* of a given subject and some other *related problems*. Corruption cause is present in one out of five instances of out-of-school private tutoring. The correlation analysis of the factors that call forth out-of-school studies with a private tutor has shown that the corruption factor is closely linked with the cause stated, as “The subject is difficult for the student”. In case of another cause, when the necessity of studying a given subject is linked to the IHL admission, students prefer, if possible, to study with private tutors that ensure higher quality than their schoolteacher that teaches this subject. Schoolteachers urge their students to take out-of-school private studies with them. They succeed in convincing primarily those students that for some or other reason have problems with a subject in question and/or that cannot afford hiring a private tutor other than their schoolteacher. These causes also include the case when teachers do not take the trouble to perform his professional duty properly. As a result, an absolute necessity arises for some students to turn to a private tutor (this idea was brought up by participants of a focus group discussion). It should be noted that teachers pointed at a large number of students in class as a main cause of plummeting quality of teaching. The overwhelming majority of teachers and school principals are of the opinion that an optimal number of students in class is 20 in elementary and high school and 25 in middle school.

As the APMM Task Force firmly believes that it is unrealistic to expect a dramatic decrease in the scope of private tutoring given an enormous demand for higher education, at the time of the monitoring it gave the question of “How can the number of out-of-school private studies be reduced?”

Diagram 5. How can the number of out-of-school private studies be reduced?”



The prevailing mind-set is that the system of the standards of knowledge should be changed (“educational content of IHL entrance examinations should be changed”, “School curricula should be brought in line with IHL requirements” and “Content of school education should be simplified”). These recommendations indirectly reflect problems that exist in

secondary school with regard to quality of teaching. A fairly high percentage of the respondents believe that concentration in some subjects should start in middle school.

Quite a large number of respondents agreed with an idea that the development of a system of alternative State secondary schools will provide a solution to the problem²⁰. Most teachers emphasized the necessity of changing the system of evaluation of students' knowledge. The issue boils down primarily to the replacement of a 5-point with a 20-point grading system since the latter furnishes an opportunity to evaluate academic work in a more differentiated way. On the other hand, only 33% of the respondents supported the idea of the development of a system of alternative private secondary schools.

Thus, as regards out-of-school private tutoring, corruption risks emerge primarily as a result of a low-quality instruction in schools that provide general education (comprehensive schools). To be admitted to IHL or to get high grades the students have to study out of school with private tutors, or if the latter are not accessible, with teachers that act thus in a tutor capacity. In a situation like that an opportunity arises to nudge students to get private tutoring from teachers. When student gets private tutoring from his teacher out of school, he starts getting higher grades at school, even if the level of his knowledge does not go up. In terms of grading, high grades their children get at school have become a constituent part of prestige for well-to-do families. The high point of corruption in the system of general education is related to admission to the system of higher education. Out-of-school tutoring and grading-related problems in the system of general education are motivated by the IHLs admission issue.

Recommendations

1. On the initiative of the RoA Ministry of Education & Science, educational TV programs on academic subjects for comprehensive school students and for those who wish to enter IHLs should be designed and broadcast and to subsequently establish Educational TV Channel on the basis of those programs.
2. The test-based unified system of grading should be advanced further and its use in comprehensive schools in the future should be expanded as a mechanism for a transfer of students from elementary to middle and from middle to high schools.

²⁰ During the survey it was explained to the interviewees that the idea of the alternative schools amounts to diversity of educational content, including the establishment of State comprehensive schools with concentrations in various groups of subjects.

3. The practice of unified test papers should be tested and gradually introduced into comprehensive schools as a universal tool for monitoring and evaluating quality of operation of the general education system.
4. The monitoring conducted by the RoA State Inspection for general education should involve high-school students' transfers from one school to another and should identify cases of "dead souls" and of sale of high-school diplomas.

2.2 Final examinations in comprehensive schools

The Armenian system of general education has undergone a major change in 2007. The final examination in the Armenian language was for the first time administered in a test-based format. At the same time, this test-based examination was given in two versions. Those were:

- ***Final examination***, the results of which were recognized as the final school examination grades for those students who got the minimum (8 out of 20) or higher score, with the latter being a passing grade for those IHL departments, where Armenian is not a major subject;
- ***Unified examination***, the results of which were recognized as scores in the IHL competitive entrance examination in the Armenian language for those departments, where Armenian is designated as a major subject. The unified examinations were held in capital cities of the regions in specially selected schools or other buildings.

The main goal of the ACPM of the test-based examinations in the general education sphere was to assess corruption risks in case of a traditional (written and oral) form vs. a test-based form of the final examination.

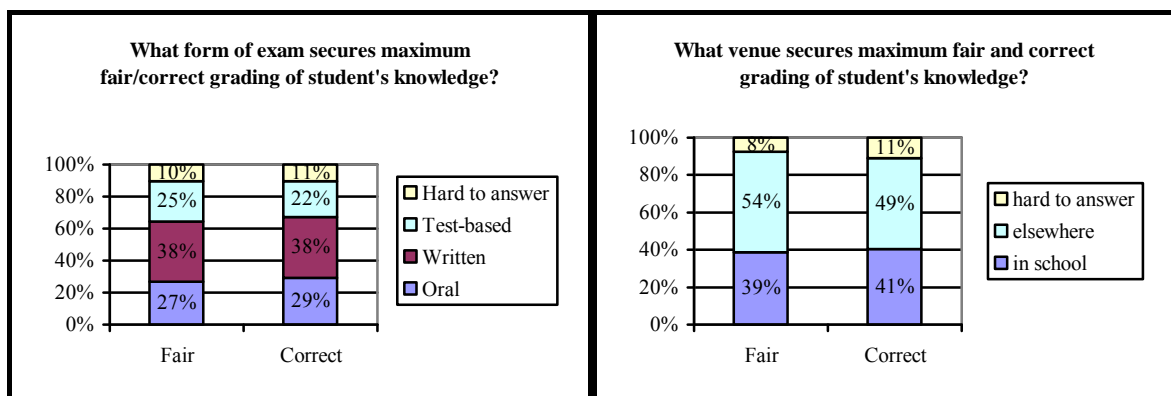
The observations focused on organizational forms of and grading at examinations and on whether examinees were in equal conditions and controllers' complied with the examination rules since those are processes that contain potential corruption risks in the field of final examinations in comprehensive schools. At the same time an attempt was made to gauge public perceptions of corruption risks in various forms of organization of examinations by way of comparison between the examinations in Armenian (both of the unified and final forms) and in mathematics.

In the course of the monitoring the respondents filled out 1.056 copies of the standardized questionnaire; groups discussions on positive and negative aspects of final, unified and traditional forms of examinations were held with the groups of teachers, parents and students (12 groups in each regions, hence the total of 132 groups) and 44 face-to-face interviews with school principals.

Results of the monitoring

The respondents’ evaluations of what examination form, viz. test-based or traditional written or traditional oral, has ensured more “correct” and “fair” grading are presented in Diagram 6. A relative majority of the respondents (38%) indicated that the traditional written examination ensures the most correct and fair grading of students’ knowledge. 22-25% of the respondents pointed out the test-based examination as the form securing the most correct and fair grading. On the other hand, 50-55% of the respondents believed that the maximum fair and correct grading can be obtained in case the examination is conducted on premises other than schools.

Diagram 6. Evaluation of the form and venue from the perspective of securing fair and correct grading



An in-depth analysis of the data has revealed that more respondents believed the traditional written examination to be a more correct and fair form than the test-based examination since students’ and parents’ evaluations of fairness and correctness as well as examination quality of those examination types are closely related to the grades received by the students. Other things being equal, a positive assessment of fairness and correctness of the examination increases in a direct proportion to the growth of the grade received. On the other hand, the distribution of grades received at the examinations of various types quite distinct results in the sampled population (students and parents whose children took examinations of a given type) (See Diagrams 7, 8 and 9).

The highest score of 20 was received by 3.7% of students at the unified examination in Armenian, 3.1% at the final test-based examination in Armenian and 20.2% at the written examination in mathematics. It should be noted that the score received at the examination in mathematics showed no correlation with the student’s taking a unified or final examination in Armenian²¹.

The focus group discussions with students demonstrated that there had been numerous and diverse procedural violations in the course of the written examination in mathematics.

Diagram 7. Distribution of grades received at unified examination in Armenian

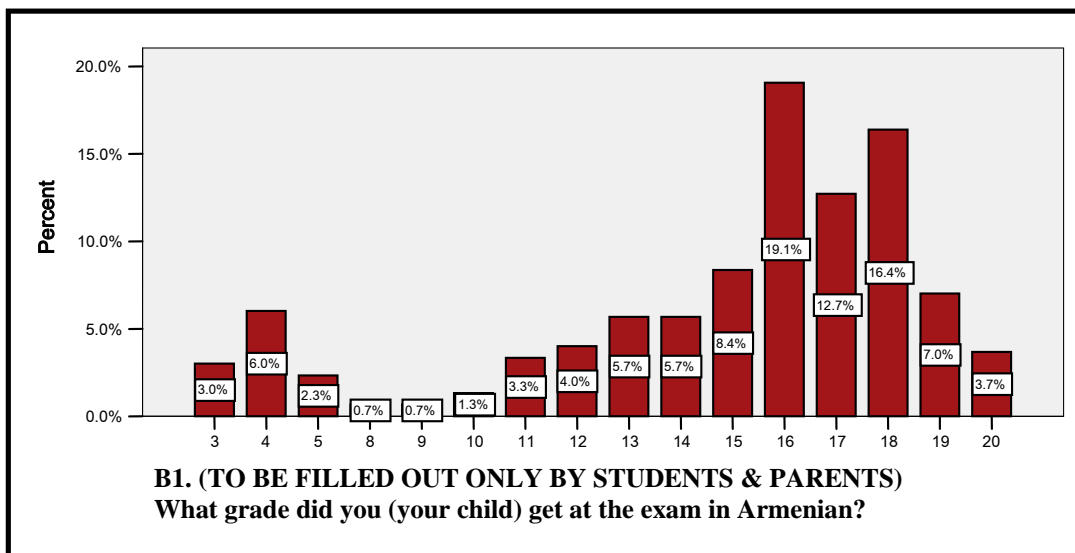


Diagram 8. Distribution of grades received at final examination in Armenian

²¹ There was a strong likelihood that the correlation would manifest itself since those students who take a unified examination in Armenian go to the IHL Humanities departments (so they “do not need” mathematics), while those who intend to be admitted into technical or natural sciences departments (i.e. those who in all likelihood have a stronger background in mathematics) took a final examination in Armenian.

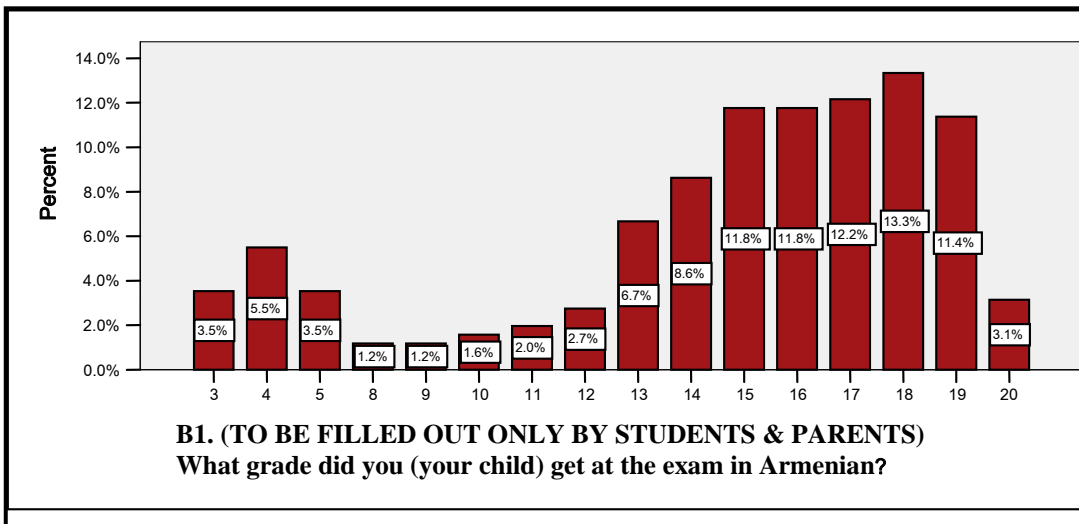
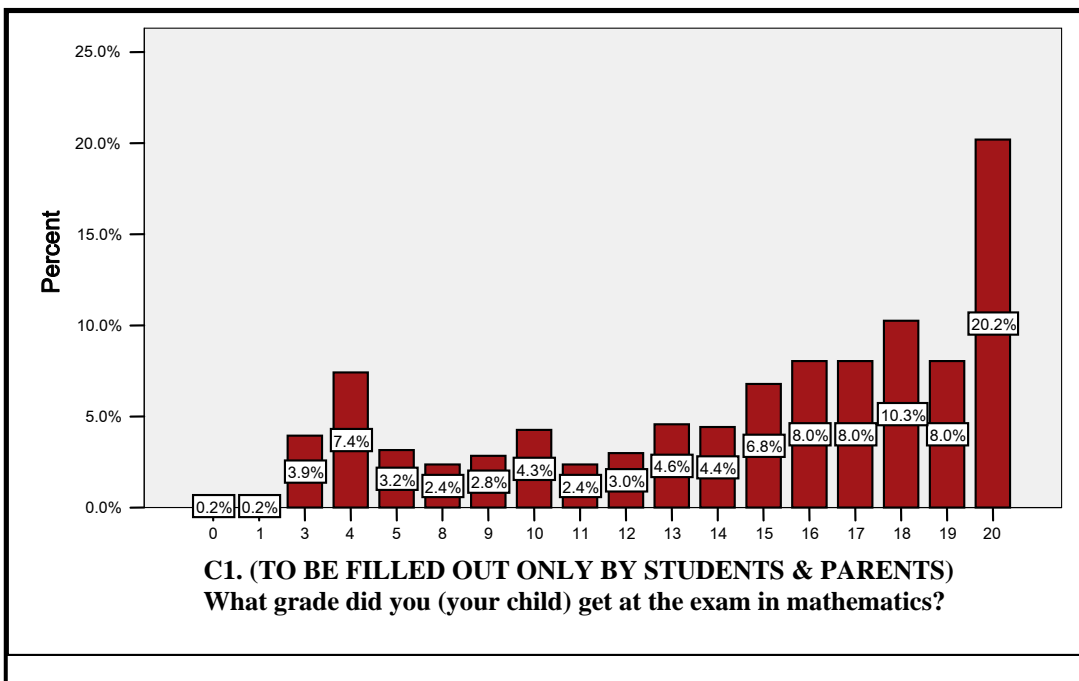


Diagram 9. Distribution of grades received at final examination in mathematics



It is noteworthy that a large number of the respondents pointed at the written examination in mathematics, when answering a question in the standardized questionnaire of what type of the examination they are on the whole more content with.

Among the disputable issues of the test-based examinations in Armenian was whether the tests included the questions that were not included in the course syllable at school. The students who took a final examination in Armenian (and who did not need this exam for the IHL admission) were the most confident that there is a mismatch between the school course syllable and the tests. The students who took the unified examination were less confident about that

mismatch. It should be noted that every third teacher of Armenian replied that there is discrepancy between the test assignments and the school course. Since teachers of Armenian are the most competent group in terms of the assessment of the assignments, therefore, it can be safely assumed that the discrepancy indeed exists.

Only 48% of persons that had a first-hand experience of the examinations believed that grades in a test-based exam in Armenian were *fair*, while 56.4% of the respondents found the exam in mathematics to be fair. 50% of the students and parents were positive that the grade that they had been given at the exam in Armenian was *adequate to their knowledge*, while 63% thought so regarding the exam in mathematics. 50% of the respondents thought that during the exam in Armenian *the examinees had abided by the examination rules*. 59% of the respondents thought so as regards the exam in mathematics. 60% of those surveyed believed that during the exam in Armenian *the controllers had abided by the examination rules*. In case of the math exam the percentage is 64. 27% of the respondents were of the opinion that *procedures* at test-based examinations *are unduly complicated*, while 38% believed that those procedures were *absolutely necessary*. 35% of the respondents did not make up their mind. 38% of the respondents thought that the examinations in Armenian contained *questions that were not included in the school textbooks on the Armenian language*. A large number of the respondents would give their assent so that *the grades received at final examinations at schools were to be considered as grades of the IHL entrance examinations*. The number of respondents that voiced that opinion fluctuated within the 55-75% range depending on a subject. The percentage was highest for the Armenian language. Around 20% persons that had a first-hand experience of the examinations did not have a definitive opinion about fairness and other characteristics of the exams.

Thus, the traditional form of examination is assessed more positively by respondents than at a test-based unified examination is accounted for by a factor of bias in public opinion. The mainstream mentality does not value the idea of fair competition and public confidence in effectiveness of fair competition is low. The test-based system is more adequate for a correct selection through competitive examinations than traditional examinations²². In the course of a transition to a test-based unified examination the inertia of public opinion needs to be overcome. The form of a written examination is a little more acceptable for the public than oral or test-based examinations. A “hidden” rationale behind this preference is that written examination is a

²² The fact that 20% of the respondents got the maximum score of 20 at a math exam should be seen as a manifestation of corruption and, particularly, of patronage. Here the impact of private tutors can be ruled out since under the same circumstances merely 3% of students got the maximum score in the Armenian language exam regardless of whether the latter was administered in a unified test format or in a format of a test-based final exam.

“balanced” tool that protects students against, on the one hand, a more subjective bias of an oral examination and, on the other hand, more minutely-regulated format of a test-based examination. However, the qualitative evaluation options (“for”, “against” and “no definitive opinion”) regarding the three different forms of examinations were selected in almost equal numbers by the respondents. It means that public opinion in Armenia is equally inclined concerning the sector in question. The correlation can change dramatically, when that segment of the public that has not so far made up its mind comes to a definitive conclusion. This means that respective explanatory and awareness raising campaigns should be launched by the State to ensure that those who have “no definite opinion” shift to the segment that considers test-based exams as the best option.

Recommendations

1. The quality of test-based final examinations in secondary schools should be improved, ambiguities avoided and the scope of application of test-based examinations expanded.
2. Test assignments and problems should be ranked by complexity and scores given for the solution of the problems should, accordingly, have different values. It is preferable that test assignments should include several more complicated test assignments so that the most frequent value (the mode) will move to 13 or 14.
3. A well-focused and comprehensive advocacy campaign should be mounted targeting that segment in civil society that has not yet made up its mind regarding the examinations.
4. Preparatory materials for test-based examinations should be covered by the educational TV programs.
5. Controllers’ powers at test-based examinations as well as criteria and list of sanctions they apply against students violating the examination rules should be clarified.

2.3 Financial management at schools: the budget, collection of money and financial accountability

A certain corruption potential in the general education sphere is located in the formation and management of secondary schools’ finances. Specifically, the factors that call forth corruption risks are:

- Lack of transparency in the processes of school budget management and use,
- Collection of money from parents at school,

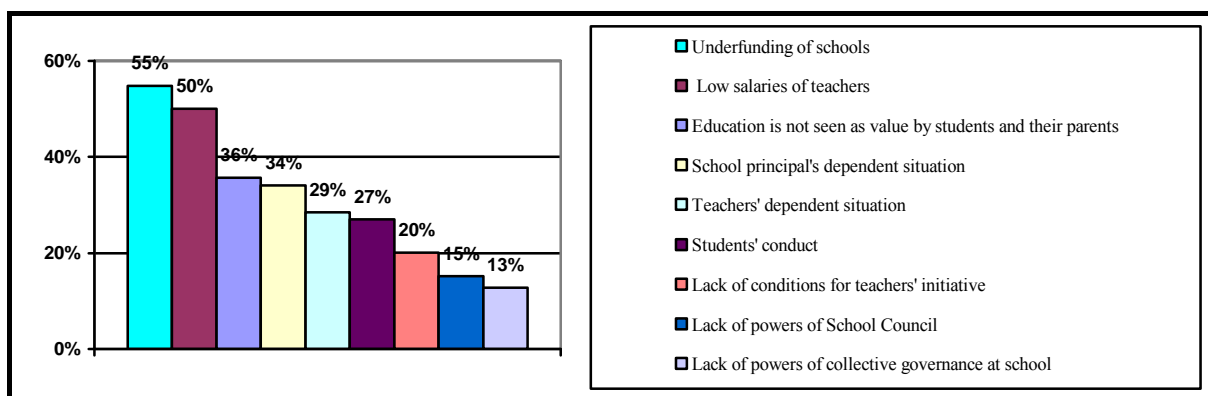
- Lack of financial accountability of school budget,
- Teachers' salary-related expectations.

The goal of the monitoring was to collect data that could support the recommendations aimed at reducing corruption risks in the sphere of management of secondary school finances. The monitoring was conducted by means of a standardized questionnaire. It was filled out both by parents and teachers (who do not deal with the issues of financial management of schools) and by school principals, members of school Councils, officials from education departments of town halls or Regional Governor's Office (who are in charge of the management of school finances or who influence that management *ex officio*). 1,151 individuals were surveyed. Given the specificity of the issue, students were not surveyed in this monitoring.

Results of the monitoring

Regardless of their status (teacher, school principal or parent), the majority of the respondents were of the opinion that underfunding of schools and low salaries of teachers have particular significance among the factors that make the most negative impact on the overall situation of comprehensive schools (See Diagram 10).

Diagram 10. The role of school finances among other factors that influence the situation of school



Therefore, an effective solution of these problems has a pivotal role for reducing negative phenomena, in particular corruption risks, in comprehensive schools. In terms of significance, these are followed by a decline of prestige of education (a socio-cultural factor) and informal dependence of school principal and teachers on other entities and individuals (characteristics of governance system).

Over two-thirds of teachers and parents wish to be informed about State funding of the school and about the school's major expenditures. It is noteworthy that the school administration is interested that teachers and parents should be well-informed concerning that issue. Over 75% of respondents in all groups would like that the school budget for the current year and the budget

report for the previous years be presented to teachers and parents. In all surveyed groups, the absolute majority of the respondents would prefer their schools to be independent in their budget formation and approval. Posting a document on the budget on the bulletin board and submission of the budget report by the school administration to teachers and parents in the letter-report format were identified as the most preferred forms for a school budget report.

The school budget report option outlined above was tested in the course of the monitoring. That structure of the school budget was deemed acceptable by 70-80% of all stakeholders. The majority in all status groups of the respondents were of the opinion that community budget was the most acceptable source to provide lacking financial resources to schools. Collection of money from parents was regarded by all stakeholders (parents, teachers and school administrators) as the least acceptable source. The majority of the respondents tend to prefer that collection of money at schools would be done on the basis of civilized principles and through suchlike forms. The level of acceptability of civilized forms of money collection from parents (money is to be given to the school accountant's office or transferred through the post-office) exceeds that for the traditional form of "money collection through a member of the Parents' Committee. Of particular significance is the fact that respondents believe that civilized forms of money collection ensure compliance with the principle of voluntarism.

About 90% of all respondents said that schoolteachers' salaries are low. As of September 2007, an expected and publicly acceptable average size of a schoolteacher's salary was 146,000 AMD, while that of a school principal 225,000 AMD.

Thus, comprehensive schools will for a long time have to make up their budget deficit with extra-budgetary funds. In order to stimulate procurement of extra-budgetary funds the degree of comprehensive schools should be given more freedom for generation and management of extra-budgetary funds. This freedom should be matched by adequate accounting forms of raising extra-budgetary funds and by strict adherence to transparency and accountability principles in the management of those funds. Real salaries continuously fall short of teachers' expectations. Teachers will have to look for additional sources of income. The most acceptable form for them to do so is making use of their own professional abilities²³. Therefore, it would be unpromising and unfair to exclude them from out-of-school private tutoring. It is necessary to

²³ It is undoubtedly more dignified and preferable than, for instance, work in retail trade or in other spheres of the service industries.

rule out corruption risks in this sector such as deliberate lowering of quality of teaching and prompting students to make use of out-of-school private tutoring.

Recommendations

1. The RoA Ministry of Education & Science should regulate the sources of comprehensive schools' extra-budgetary funds and the mechanisms of their formation and management so that comprehensive schools get autonomy in the management of funds. To that end, instruction manuals, guidelines and reference books should be designed for comprehensive schools. Courses on raising extra-budgetary funds should be organized for school principals and teachers.
2. The mechanisms for money collection from parents at school should be legalized and regulated so that:
 - principle of voluntarism is complied with during the money collection,
 - any manifestation of violation of the principle of voluntarism in money collection is punished,
 - getting money through students to a person collecting it is ruled out,
 - names of parents or students that did not take part in the money collection are not disclosed,
 - there is a school principal's decision about money collection and that the decision is posted on a bulletin board located in a conspicuous place, and
 - a receipt stating the purpose of the money collection is issued without fail to the parent.

Besides, the money collected from parents for school needs should be handed in to the school accountant's office or paid to the school bank account.
3. The issue of provision of schoolteachers with supplementary payments should be regulated by the RoA Law *On General Education* or by another legal Act, including the School Statute.
4. The issue of the submission by school principal of the report on the school budget and on its execution to teachers and parents should be regulated. It should be done so that the school principal will submit a letter-report on the budget execution to the School and Parents' Councils at the sessions of those Councils held after the end of the financial year. The School and Parents' Councils make sure the report is accessible to every teacher and parent. The school budget report should contain detailed information about the school's financial and non-financial receipts and financial expenditures.

5. The collaboration between school councils and local governments for the resolution of general education-related issue should be institutionalized. School principals and chairpersons of school councils should become participants in the discussions of the draft community budget.

2.4 Issues of school administration

The goal of the monitoring was to test recommendation aimed at reducing corruption risks related to issues and features of administration of comprehensive schools.

There are three main sources that shape *issues*, which give rise to corruption risks in the system of administration of general education, and their *solutions*. Those are the *analysis* of the comprehensive school's model Statute²⁴ that defines the system of administration of general education, information collected in the course of the monitoring²⁵ and personal experience of the experts engaged in the monitoring. For the purposes of evaluation and interpretation of recommendations about anticorruption changes related to issues of administration of comprehensive schools, officials from education departments of Regional Governor's Office and town halls, school principals, teachers and parents acted in the capacity of experts.

The following recommendations and related issues were tested:

Stabilizing teacher's status

1. to post announcements about vacancies for and work conditions of teachers, including teaching load and salary, on the official website of the Ministry of Education & Science;
2. to invite bids, at the end of each academic year (in May), for those teaching positions that are filled with teachers that do not have relevant specialized education in that area;
3. to select teachers through the School Council;
4. to make sure teachers are dismissed only by the decision of the School Council.

Stabilizing the status of collective bodies

²⁴ Model Statute of the State non-commercial organization "RoA State institution of general education", Annex 3. The 25 July 2002 RoA Government's Decree N 1392-N.

²⁵ Face-to-face unstructured interviews conducted for the most part in the course of the monitoring were an important tool for identifying problems and solutions. During those interviews the interviewees spoke not only about the concrete questions given to them but also addressed other related problems in greater detail, thus ascertaining priorities for comprehensive schools.

5. to grant a number of inalienable powers to Councils (on teaching methods, etc.) established at school;
6. to approve a teaching load for teachers by the Academic Council;
7. to solve the teaching methodologies-related problems by means of the schools' Associations for Teaching Methodologies. School principal and Head of Studies (Deputy School Principal) shall implement the Associations' activities and shall exercise control over them;
8. to set up Council for Moral & Civic Education with the aim of solving the problems in that area.

Stabilizing the school principal' status

9. to elect school principals by the general meeting of the teaching staff in those communities where there are more than one school; in the communities with only one school the principal should be elected by the joint general meeting of parents and the teaching staff; the decision made at the general meeting will have to be approved by the Council; the Council will then sign a contract with the school principal;
10. In those communities where there are more than one school, a decision made by the general meeting of the teaching staff will be required in order to dismiss the school principal. In the communities with only one school, the school principal can be dismissed only by the joint general meeting of parents and the teaching staff; the Council will then cancel the contract with the school principal.

Stabilizing the status of the School Council

11. The school budget shall be approved by the School Council.
12. Prior to its approval, the school budget will be presented to teachers.
13. The main budget line items will be set by the School Council.
14. Early dissolution of the School Council can be done through the court of law.
15. The school can have a deficit budget as regards some specific budget lines. The comments to the budget should include the explanation of those expenditure priorities and their funding sources should be identified.

External incentives for the system of general education

16. The principle of State funding per student should be also applied to private schools. In other words, in the event a student transfer from a State school to a private

one, the State funding envisaged for that student will be allocated to that private school.

Results of the monitoring

The main corruption risks in the area of administration of comprehensive schools revolve around the issues of the *division* of rights and responsibilities of the officials and collective bodies operating at school as well as of the *mechanisms* for their implementation and of the *relations* between bodies of school administration and bodies of public administration.

Corruption risks exist in the ***Competent (State) body – School Council – School principal*** relations. Even though as per “*The model Statute of a State general education institution (school)*” it is the School Council that selects the school principal on a competitive basis and appoints him or her²⁶, however, in reality in the absolute majority of cases the school principal is actually appointed following the “advice” given by the Regional Governor’s Office or Town Hall. There were cases when contract with the principal was concluded not by the School Council. In the appointment of school principals there are influential factors that take precedence over the professional qualities of the candidate for the principal’s position.

Corruption risks in the *School Principal – Teacher* relations. According to “*The model Statute of a State general education institution (school)*” the school principal “shall hire and dismiss the institution employees and shall use rewards and administer disciplinary sanctions.”²⁷ The Statute does not place limitations on these powers of the school principal (the system of checks and balances is non-existent) and does not specify the conditions, under which those powers can be used by the school principal. That, in its turn, makes room for potential arbitrariness.

Corruption risks in the *School Principal – Collective body of administration* relations. According to the Statute, “Advisory bodies, *viz.* the Pedagogical Council and Associations for Teaching Methodologies, shall be set with the aim of organizing effective education and instruction in the institution.”²⁸ The Statute does not contain any other provision about these collective bodies. In particular, it is not clear what issues the Pedagogical Council can or cannot review. Since these Councils are merely advisory bodies, they, therefore, are not vested with any powers. No legal or statutory norm requires that the school principal should take into consideration the recommendation given by the advisory bodies.

²⁶ Paragraph 48 of the Statute says, “The School Council shall *select*, in line with the procedure established by the Ministry, a principal of the institution, *approve* a job contract concluded with the principal, terminate his or her powers prior to the expiration of his or her term in office and determines the procedure and terms and conditions for the school principal’s remuneration. There are cases when

²⁷ Statute, paragraph 37-e.

²⁸ Statute, paragraph 30.

Corruption risks in the issues of financial administration of schools. It was discovered in the course of the monitoring that the schools' budget under-funding is a factor that has the most adverse impact on the situation of schools and that brings forth corruption risks. The spin-off from this under-funding is that teachers' salaries fall short of their expectations. On the one hand, schools have to supplement its financial resources with additional funding, while teachers have to find ways to somehow come close to their salary-related expectations. On the other hand, the school Statute does not outline effective mechanisms for raising, spending and exercising control over extra-budgetary funds.

Corruption risks that result from the monopoly of the system of general education. The creation of equal conditions of fair competition for State and private comprehensive schools was tested during the monitoring of the administration of the general education system, extending the *per pupil* funding principle also to private general education institutions.²⁹

Table 1 shows to what extent the reviewed recommendations are acceptable.

Table 1. The level of acceptability of the changes recommended for the general education system

<i>Recommended changes</i>	<i>I</i>
<i>Stabilizing teacher's status</i>	
1. It is necessary to post announcements about vacancies for teachers nationwide and about their work conditions on the official website of the Ministry of Education & Science.	98.5%
2. At the end of each academic year (in May) bids should be invited for those teaching positions that are filled with teachers that do not have relevant specialized education in that area.	98.7%
3. Teachers should be selected by the School Council.	62.6%
4. Teachers can be dismissed only by the decision of the School Council.	63.2%
<i>Stabilizing the status of collective bodies</i>	
5. Councils established at school (School Council, Pedagogical Council, etc.) have to be granted a number of inalienable powers.	63.5%
6. The workload of teachers (assignment of classes, teaching load and schedule) should be determined by Head of Studies (Deputy School Principal) and approved by the Academic Council.	69.2%
7. The issues of teaching methods should be dealt with by the Council on Teaching Methodologies, while School Principal and Head of Studies (Deputy School Principal) will implement the decisions made by the Council on Teaching Methodologies and will supervise the implementation.	75.5%
8. Moral and civic education-related issues will be addressed by the Council for Moral & Civic Education, whereas School Principal and a Deputy School Principal in charge of these issues will implement the decisions made by the Council.	68.0%

²⁹ It also is in line with the principle of creating equal conditions for private and State general education institutions as stipulated by the draft Law *On General Education*.

<i>Stabilizing the school principal' status</i>	
9. School principals should be elected by the general meeting of the teaching staff.	64.3%
10. School principals should be dismissed only by the decision of the general meeting of the teaching staff:	54.8%
<i>Stabilizing the status of the School Council</i>	
11. The school budget should be approved by the School Council.	87.8%
12. The school budget should be presented to teachers prior to its approval.	78.3%
13. The main budget line items should be set by the School Council.	88.8%
14. Early dissolution of the School Council can be done only by the court of law.	53.0%
15. The school can have a deficit budget as regards some specific budget lines. The comments to the budget should include the explanation of those expenditure priorities and their funding sources should be identified.	97.1%
<i>External incentives for the system of general education</i>	
16. The principle of State funding per student should be also applied to private schools. In other words, in the event a student transfer from a State school to a private one, the State funding envisaged for that student will be allocated to that private school.	36.6%

The analysis of the results broken down by status groups of the respondents (representatives of Regional Governors' Offices, school principals, teachers and parents) has produced the following picture:

1. School principals do not want to relinquish their powers of being sole decision-makers in hiring teachers. Representatives of bodies of public administration share the school principals' view. However, school principals are more lenient towards the idea of giving up their powers in dismissing teachers. In particular, school principals are more inclined to share responsibility with other relevant entities in the event a teacher is dismissed on the grounds of the reduction of the staff (i.e. when there is no personal conflict).
2. School principals do not want to yield their influence to the School Council, which has a higher status, as per the Statute. From that perspective, school principals stand in opposition to all other entities.
3. Representatives of the Regional Governor's Office do not want to yield their powers for appointing school principals to schools' Pedagogical Councils. From that perspective, they stand in opposition to all other entities. In particular, school principals wish to get rid of the State body's "tutelage". However, However, concerning the powers of dismissal of school principals, the latter find the State body's "tutelage" advisable.

4. Regional Governors' Offices do not want to give up the budget "lever" in administration of schools to the School Council, even though the provision to that effect is actually included in the model Statute of Schools.
5. The respondents' opinions were split on the issue of the dissolution of School Council through the court of law, except representatives of the Regional Governor's Office who do not wish to relinquish those powers.

Thus, the issue of hiring and firing of school principals and teachers is at the core of corruption risks in comprehensive schools. Lack of clarity as regards powers of bodies of collective administration (Councils) in comprehensive schools results in the absence of checks and balances in the administration of the system. The management of finances of comprehensive schools is beyond the control of the major stakeholders of the system. In the opinions of the majority of teachers, school principals and members of School Councils, democratization of school administration or, more precisely, the harmonization of powers of school administration is necessary and long overdue. It was not in all cases that the recommendation made by the respondents without administrative powers to the effect that an end be put to a one-man administration of school was unacceptable. Government-run comprehensive schools are for the most part against competing on equal terms with private comprehensive schools.

Recommendations

1. Prior to the adoption of legal Acts on the system of general education, they should be subject to expert evaluation of potential corruption risks. One of the best ways to do so is to hold discussions by means of TV programs, when one participating expert criticizes the alleged corruption risks contained in the proposed legal Act, while the other one expresses an opposing opinion.
2. The model Statute for comprehensive schools should be localized or revised in line with the types of comprehensive schools that differ significantly. The specific features of each school should be taken into consideration. For instance, *urban vs. rural school, big (over 800 students) vs. medium-size (300-800 students) vs. small (under 300 students³⁰) schools, comprehensive schools that have all levels vs. schools that do not have all levels and the only school in the community vs. not the only one school in the community.*

³⁰ The threshold values are relative and subject to revision.

3. The competitive procedure for the appointment of principals of comprehensive schools should be revised so that the role of the Pedagogical Council will be more significant in the appointment of the school principal. School principal should be elected for five years.
4. Teachers, too, should be selected through a competitive process. The final decision among the successful candidates will be made by a simple majority by the Pedagogical Council.

At the end of each academic year bids should be invited for those teaching positions that are filled with teachers that do not have relevant specialized education in that area. The incumbents, too, will be allowed to submit bids and to compete.

The specialists who did not receive training as teachers but who teach at schools should be allowed to undergo certification in order to obtain qualification for teaching the subject, including also a specialized title of a teacher. The procedure should be established for that.

Contests and vacancies web page should be created on the Web site of the Ministry of Education & Science, where information about the contests to be held within 3 months for the positions of school principals, teachers and relevant positions in the Ministry, Regional Governors' Offices and Town Halls will be posted.

5. The powers of individuals Councils (Pedagogical, Teaching Methodologies, Parents', etc.) established at schools should be defined and detailed by the model Statute for comprehensive schools. In particular, the Pedagogical Council should be empowered to have a final say on the school's internal statutory matters (academic, educational, disciplinary, teaching methodology, etc.). If the problem is not solved or if it brings forth irreconcilable contradictions, the matter is then reviewed by the School Council or a competent body of public administration. The Pedagogical and Parents' Council can recall their representative in the School Council, and they do not need the School Council's consent³¹ to do that. The powers of the School Council in the budget formation and management should be expanded, especially in terms of the selection of priorities for the use of the school's extra-budgetary funds.

³¹ At present, as per the Model Statute for comprehensive schools, the School Council's consent is required to recall the Council member.

6. The principle of State funding per student should be also applied to private schools, while retaining the system of contractual payments required by private schools for the provision of teaching and other services.

ANNEX. TABLE OF RECOMMENDATIONS ON HEALTH AND EDUCATION SECTORS

Sector	The observed phenomena that contain corruption risks	Recommendations to reduce corruption risks	
		Policy Recommendations	Specific Recommendations
Health	Provision of medication for free or on privileged basis to people in outpatient medical institutions	I. To ensure accessibility of provision of medication and other medical items to the individuals that have the right to get medication for free or on privileged basis	1. The <i>Procedure for the provision of medication for free or on privileged basis</i> approved by the 27 January 2005 RoA Ministry of Health's Order N 74-N should be thus revised so that outpatient clinic will be in a position to ensure provision of medications to patients through a licensed pharmacy operating on a contractual basis. To that end paragraph 4.6 of the <i>Procedure</i> should be removed.
			2. The amount of paperwork related to the provision of medication to patients for free or on privileged basis in outpatient clinics should be reduced by decreasing the time that physicians have to allocate to that process.
			3. The <i>RoA List of basic medications</i> should be updated annually by adding the new generation of the most efficient medications that meet the requirements of the present-day medical science.

	<p>Correspondence between the foundations of free medical care and services guaranteed and commissioned by the State and the quality of the provided medical care</p>	<p>II. To introduce mechanisms for awareness-raising of and for lodging complaints by the sick, patients and medical personnel</p> <p>III. To make a transition to a system of medical insurance</p>	<p>4. The patients, who qualify for free medical treatment commissioned by the State, should be informed about their rights and the amount of medical care as soon as they get into the hospital's admission room. That should be done by providing them with a sealed and signed form that can subsequently be used for lodging a complaint, if necessary.</p> <p>5. At the time patients having diseases that are on the list approved by the 23 November 2006 RoA Government Decree N 1717-N are discharged from inpatient clinics should be given, alongside an excerpt from their case history, a leaflet with a reminder to obtain medication for free from an outpatient clinic in their neighborhood.</p> <p>6. Mechanisms for lodging complaints should be designed and introduced for cases when contractually stipulated rights of doctors, paramedics and junior medical personnel are infringed upon.</p> <p>7. A strategy and an action plan on introduction of medical insurance system should be devised.</p>
	<p>Provision of paid medical care and services</p>	<p>IV. To ensure quality of provided medical care and services</p>	<p>8. The RoA MH should design and introduce standards for evaluation of and control over the quality of medical care and services.</p>

		<p>V. State regulation of paid medical care and services</p>	<p>9. The mechanisms of State regulation of tariffs for paid medical care and services should be outlined by law.</p> <p>10. The current temporary price lists of paid medical care and services in the State-run medical institutions should be reviewed and endorsed every year by a competent State body.</p> <p>11. A competent State body should introduce in medical institutions the price-formation mechanisms as well as mechanisms for distribution of revenues generated through the provision of paid services.</p> <p>12. Control by a competent State body over the compliance of medical institutions with expenditure priorities should be enhanced.</p>
		<p>VI. To raise medical personnel's lawful incomes (salaries)</p>	<p>13. The minimum salary for medical personnel in the healthcare system should be set not per staff position but per employee. It should be based on the minimum cost of living for 2 persons and on the factor of complexity of medical personnel's work.</p>

	Patronage and personnel policies	VII. To ensure that staff is properly selected and that medical personnel meets the requirements of the positions	14. The RoA Ministry of Health should establish a procedure for filling vacancies in medical institutions fully or partially owned by the State through selection on a competitive basis. 15. The RoA Ministry of Health should establish control over the process of approval of staff positions lists in medical institutions fully or partially owned by the State so that the optimal number of employees is not exceeded given the estimated payroll fund.
General Education	Truancy, evaluation of knowledge and out-of-school private tutoring	I. To further develop the unified test-based system of evaluation of students' knowledge	1. The use of the test-based unified system of grading in comprehensive schools should be expanded as a mechanism for a transfer of students from elementary to middle and from middle to high schools. The practice of unified test papers should be tested and gradually introduced into comprehensive schools.
		II. To raise quality of teaching in comprehensive schools	2. On the initiative of the RoA Ministry of Education & Science, educational TV programs on academic subjects for comprehensive school students and for those who wish to enter IHLs should be designed and broadcast and Educational TV Channel should subsequently be established

			on the basis of those programs.
		III. To improve the system of monitoring and evaluation of quality of comprehensive schools' operation	3. The monitoring conducted by the RoA State Inspection for general education should involve high-school students' transfers from one school to another and should identify cases of "dead souls" and of sale of high-school diplomas.
	Final examinations in comprehensive schools	IV. To raise the quality of tests administered during the final examinations at comprehensive schools	4. Ambiguities should be avoided and the scope of application of test-based examinations expanded. Test assignments and problems should be ranked by complexity and scores given for the solution of the problems should, accordingly, have different values. It is preferable that test assignments should include several more complicated test assignments so that the most frequent value (the mode) will move to 13 or 14.
		V. To provide guidance to civil society regarding the issue of final examinations at comprehensive schools	5. A well-focused and comprehensive advocacy campaign concerning the final exams in comprehensive schools should be mounted. Preparatory materials for test-based examinations should be covered by the educational TV programs.
		VI. To improve the organization of final examinations at comprehensive schools	6. Controllers' powers at test-based examinations as well as criteria and list of sanctions they apply against students violating the examination rules should be clarified.

	<p>Financial management at schools: the budget, collection of money and financial accountability</p>	<p>VII. To expand comprehensive schools' freedom (autonomy) in generating and managing budgetary and extra-budgetary funds</p>	<p>7. The RoA Ministry of Education & Science should regulate the sources of comprehensive schools' extra-budgetary funds and the mechanisms of their formation and management so that comprehensive schools get autonomy in the management of funds. To that end, instruction manuals, guidelines and reference books should be designed for comprehensive schools.</p> <p>8. The issue of provision of schoolteachers with supplementary payments should be regulated by the RoA Law <i>On General Education</i> or by another legal Act, including the School Statute.</p> <p>9. School principals and chairpersons of School Councils should become participants in the discussions of the draft community budget.</p>
--	---	--	--

		<p>VIII. To embed in comprehensive schools adequate accounting forms of raising extra-budgetary funds</p>	<p>10. The mechanisms for money collection from parents at school should be legalized and regulated so that: - principle of voluntarism is complied with during the money collection, - any manifestation of violation of the principle of voluntarism in money collection is punished, - getting money through students to a person collecting it is ruled out, - names of parents or students that did not take part in the money collection are not disclosed, - there is a school principal's decision about money collection and that the decision is posted on a bulletin board located in a conspicuous place, and - a receipt stating the purpose of the money collection is issued without fail to the parent.</p> <p>Besides, the money collected from parents for school needs should be handed in to the school accountant's office or paid to the school bank account.</p> <p>11. Courses on raising extra-budgetary funds should be organized for school principals and teachers.</p>
		<p>IX. To ensure adherence to transparency and accountability principles in the management of funds in comprehensive schools</p>	<p>12. The issue of the submission by school principal of the report on the school budget and on its execution to teachers and parents should be regulated. It should be done so that the school principal will submit a letter-report on the budget execution to the Pedagogical and Parents' Councils at the sessions of those Councils held after the end of the financial year. The School and Parents' Councils make sure the report is accessible to every teacher and parent. The</p>

			school budget report should contain detailed information about the school's financial and non-financial receipts and financial expenditures.
	Issues of school administration	X. To harmonize powers of collective administration bodies (Councils) in comprehensive schools	13. The powers of individuals Councils (Pedagogical, Teaching Methodologies, Parents', etc.) established at schools should be defined and detailed by the model Statute for comprehensive schools. In particular, the Pedagogical Council should be empowered to have a final say on the school's internal statutory matters (academic, educational, disciplinary, teaching methodology, etc.). If the problem is not solved or if it brings forth irreconcilable contradictions, the matter is then reviewed by the School Council or a competent body of public administration. The Pedagogical and Parents' Council can recall their representative in the School Council, and they do not need the School Council's consent to do that. The powers of the School Council in the budget formation and management should be expanded, especially in terms of the selection of priorities for the use of the school's extra-budgetary funds.
			14. The competitive procedure for the appointment of principals of comprehensive schools should be revised so that the role of the Pedagogical Council will be more significant in the appointment of the school principal. School principal should be elected for five years.

		<p>XI. To democratize the administration system of comprehensive schools</p>	<p>15. The model Statute for comprehensive schools should be localized or revised in line with the types of comprehensive schools that differ significantly. The specific features of each school should be taken into consideration. For instance, <i>urban vs. rural school, big (over 800 students) vs. medium-size (300-800 students) vs. small (under 300 students) schools, comprehensive schools that have all levels vs. schools that do not have all levels and the only school in the community vs. not the only one school in the community.</i></p>
		<p>XII. To ensure competition on equal terms with privately-run comprehensive schools</p>	<p>16. The principle of State funding per student should be also applied to private schools, while retaining the system of contractual payments required by private schools for the provision of teaching and other services.</p>

		<p>XIII. To ensure that staff is properly selected and that teachers meet the requirements of the position</p>	<p>17. Teachers, too, should be selected through a competitive process. The final decision among the successful candidates will be made by a simple majority by the Pedagogical Council.</p> <p>At the end of each academic year bids should be invited for those teaching positions that are filled with teachers that do not have relevant specialized education in that area. The incumbents, too, will be allowed to submit bids and to compete. The specialists who did not receive training as teachers but who teach at schools should be allowed to undergo certification in order to obtain qualification for teaching the subject, including also a specialized title of a teacher. The procedure should be established for that.</p> <p>18. <i>Contests and vacancies</i> web page should be created on the Web site of the Ministry of Education & Science, where information about the contests to be held within 3 months for the positions of school principals, teachers and relevant positions in the Ministry, Regional Governors' Offices and Town Halls will be posted.</p>
--	--	--	---